



Public social expenditure landscape in Arab States: concept, measure and trend



Shared Prosperity Dignified Life



Empowered lives.
Resilient nations.







Shared Prosperity Dignified Life



Distr.
LIMITED
E/ESCWA/CL3.SEP/2021/3/TP.3
4 January 2022
ORIGINAL: ENGLISH

Economic and Social Commission for Western Asia

Social Expenditure Monitor Report Background Paper Series

Public social expenditure landscape in Arab States: concept, measure and trend



United Nations
Beirut, 2022

Note: This document has been reproduced in the form in which it was received, without formal editing.

22-00006

©2022 United Nations

All rights reserved worldwide

Photocopies and reproductions of excerpts are allowed with proper credits.

All queries on rights and licenses, including subsidiary rights, should be addressed to the United Nations Economic and Social Commission for Western Asia (ESCWA), e-mail: publications-escwa@un.org.

Authors: Niranjan Sarangi, Nathaniel Martin, Dana Hamdan, Nour Rmeih

The findings, interpretations and conclusions expressed in this publication are those of the authors and do not necessarily reflect the views of the United Nations or its officials or Member States.

The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Links contained in this publication are provided for the convenience of the reader and are correct at the time of issue. The United Nations takes no responsibility for the continued accuracy of that information or for the content of any external website.

References have, wherever possible, been verified.

Mention of commercial names and products does not imply the endorsement of the United Nations.

References to dollars (\$) are to United States dollars, unless otherwise stated.

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

United Nations publication issued by ESCWA, United Nations House, Riad El Solh Square,

P.O. Box: 11-8575, Beirut, Lebanon.

Website: www.unescwa.org.

Acknowledgement

The paper “Public Social Expenditure Landscape in Arab States: Concept, Measure and Trend” is the result of background research to inform the Social Expenditure Monitor Report entitled: “Social Expenditure Monitor for Arab States: Toward making budgets more equitable, efficient and effective to achieve the SDGs”.

The authors acknowledge research inputs and suggestions from Omar Hakouz, Oussama Safa, Layal Darwiche, Bilal Farhat and Malak El Baba. The background paper has been presented and discussed in the Social Expenditure Monitor Regional Expert Group Meeting (EGM), held in Amman, on 1-2 December 2021. The authors acknowledge the comments and suggestions from experts including Nisreen Salti, Nagwa El-Shennawi, Rania Uwaydah, Zafiris Tzannatos and other experts at the EGM; UNDP Regional Hub in Amman including Vito Intini, Walid Merouani, Devika Iyar, and Fekadu Terefe; UNICEF MENARO including Samman Thapa and Juan Bester.

Abstract

This paper aims to provide an analysis of the landscape of public social expenditure in the Arab region using ESCWA's Social Expenditure Monitor (SEM). The innovative approach investigates 7 dimensions and about 50 indicators in measuring social expenditure in a more holistic assessment which is aligned with the SDGs approach. Therefore, the approach of SEM goes beyond the traditional methods of measuring expenditures based on essential services, such as health, education and social protection. Utilizing the SEM framework, the paper provides a detailed analysis of the indicators of social expenditure by purpose and by their main beneficiaries.

Key findings indicate that public social expenditures are lower in the Arab Region than in other parts of the world, both in per capita terms and as a proportion of GDP. While spending on health, education and social protection in the Arab region are relatively lower than global average, other areas of social spending that can create dynamic efficiency and growth such as building capacity among young people, promoting start-ups through labour market support, generating jobs, incentivizing creativity in arts, culture and sports, and building climate resilience through greening and protecting the environment are at margins of public budget. In terms of main beneficiaries, it is shown that the focus is on households and families that often get benefits from subsidies and transfers, while specific vulnerable populations, including persons with disabilities, sickness and survivors and socially marginalized people tend to get a negligible share for public budgets. In addition, public budgets often lack a clear framework for tagging budget lines to beneficiaries, including targeting to children and women, which risks progress on critical SDG targets of promoting gender equality, improving social security coverage and fostering inclusive growth. A balanced mix of expenditures is called for.

Contents

Acknowledgement	2
1. Introduction	6
2. Measuring social expenditure in public budgets	7
2.1 What is social expenditure?	7
2.2 Challenges in mapping public budgets	11
2.3 Adding up the numbers: comparing the SEM and other measures	13
3. How social expenditure compares in the region and with the world	16
3.1 Size of public budgets as a whole.....	16
3.2 The size of HES expenditure in public budget allocations	19
3.3 HES expenditure per capita	21
4. Calculating public social expenditure with the SEM	21
4.1 Education.....	24
4.2 Health and nutrition.....	26
4.3 Social protection, subsidies and support to farms.....	27
4.4 Housing, connectivity, and community amenities	29
4.5 Labour market interventions and employment generation	30
4.6 Environmental protection	32
4.7 Arts, culture, and sports.....	33
5. Subsidies top social policy expenditure innovation and investment lag	34
5.1 Few funds go to research and development	35
5.2 Current vs Capital Social Expenditure.....	36
5.3 Social expenditure and digitization	37
6. Who benefits and how much from social expenditure?	39
6.1 Methodology: Beneficiary groups	39
6.2 Support to households and families dominates but is trending down.....	40
6.3 Varying shares to children, youth and the elderly.....	42
6.4 Spending targeted to women is shockingly low	43
6.5 Vulnerable populations remain on the fiscal margins	44
6.6 A wide range for the community at large.....	45

7. Public social expenditure in the context of COVID-19: How Arab Governments have responded?	45
8. Spending choices fall short	49
9. Key Findings	49
Annex I	51
References	53

1. Introduction

The allocation of public resources to different sectors has a critical impact on the economic and human development of a country. Fiscal policy has a central role in making these choices. However, it is not just a mere increase in total public expenditure that would necessarily improve social and human development outcomes, but if expenditures can be mapped to key social development priorities and beneficiaries, by aligning to targets of Sustainable Development Goals (SDGs) where possible, the impact on social and human development outcomes would be much clearer.¹ In this context, a result-based budget is ideal to align budget lines with key performance indicators. Only few countries in the Arab region have adopted results-based budgeting.

Another important issue is to acknowledge that public social expenditure is an important means of implementation for achieving the SDGs. Its effectiveness depends on how informed and efficient public expenditure choices are, given fiscal space and macroeconomic policy coherence. Currently, many countries in the Arab region do not have a comprehensive mechanism for monitoring public social expenditure and for linking it to critical social services and macroeconomic policy. As a result, budget allocations sometimes support multiple and overlapping social programmes, and policies are often mismatched or inadequate for achieving social development priorities and realizing the SDGs.

Public budgets are pressed in most countries of the region, including several countries facing high debt burdens, especially in the context of financing essential public services and recovering from the adverse impact of the COVID-19. Without a proper tool of mapping public social expenditures in its entirety, the current way of managing expenditure to meet the aspirations of people is unsustainable and risks the achievement of the SDGs. Public social expenditures are not just handouts by Governments to people, but they are a form of investment on building human capital and a mechanism of driving productivity growth, in addition to correcting the imbalances in equity. A right mix of investing in social services, including social protection and social investments, would improve growth and human development toward achieving the SDGs.² This optimal mix remains inefficient without a proper monitoring of public social expenditures.

The Social Expenditure Monitor (SEM), produced by ESCWA, fills this gap. Furthermore, the SEM approach in measuring social expenditure goes beyond that of traditional way of measuring expenditures on essential services, such as only focusing on health, education and social protection (HES) and the SEM is aligned with the SDGs approach (targets). In this sense, it is an enabling tool for rationalizing expenditure components to achieve different objectives: delivering quality public services; making “social investments” that promote inclusive development and social stability; enhancing economic growth and revenues over time. The structure of this chapter is as follows: the following section defines social expenditure and the different measures of social expenditure; the third section presents data on social expenditure from the Arab region and the world; the fourth section discusses social expenditure trends and patterns in public budgets in the Arab region. The fifth and sixth sections discuss the purpose of social expenditure by indicator and by beneficiary respectively to assess equity and adequacy of the spending in terms of the largest and smallest beneficiaries from the spending in the region. The final section discusses the findings and key policy recommendations.

¹ ESCWA (2017a).

² Sarangi and Von Bonin (2017).

2. Measuring social expenditure in public budgets

2.1 What is social expenditure?

The notion of social expenditure varies across countries and depends upon a country's progress in social development priorities. Ideally, social expenditure aims to maximize levels of human well-being through access to quality services and social protection, including areas in which the 2030 Agenda for Sustainable Development aims for universal access. Appropriate social expenditures are “social investments” that promote inclusive and sustainable growth.³

One of the global measures of social expenditure is on-budget Government spending on health, education, and social protection (HES), produced by the International Monetary Fund.⁴ The IMF acknowledges that some types of spending may also have a social component but are often seen as “inferior” to well-designed public spending, such as public sector wage bill or subsidies that may be poorly targeted. Comprehensive cross-country data on these types of expenditure are not available. The IMF definition of HES does not consider housing and environment protection expenditures, which are important means toward achieving several SDGs.

The Organisation for Economic Co-operation and Development (OECD) defines social expenditure as “...The provision by public and private institutions of benefits to and contributions targeted at households and individuals during circumstances which adversely affect their welfare, provided that the provisions of the benefits and financial contributions constitutes neither a direct payment for a particular good or service nor an individual contract or transfer...” It calculates social expenditure by recording spending at programme level in nine broad social policy areas, such as old age; survivors; incapacity-related benefits; health; family; active labour market programmes; unemployment; housing; and other social policy areas.⁵ While the OECD social expenditure measure (SOCX) is one of the most comprehensive measures, it was designed in the 1990s and it doesn't capture several social policy areas that are important for developing countries toward achieving SDGs, the most prominent ones being education and environment protection related expenditures.

The social expenditure monitor (SEM), produced by ESCWA, is broader in scope, aligned with the SDGs, and flexible to be adapted to national specificities. The SEM addresses the critical gap of both HES and SOCX that the on-budget public transfers for social purposes need to be broader to consider the SDGs, to which all member states are committed. Public expenditure is an important means to ensure universal access to resources and services and equal opportunities for all, to leave no one behind. It is also explicit in the SDGs framework that strategic investments in social sectors are important for driving inclusive and sustainable growth⁶.

Furthermore, member States of ESCWA have adopted the Tunis Declaration on Social Justice at the twenty-eighth ESCWA session (Tunis, 15-18 September 2014), in which they reaffirmed their commitment to social justice as a core value of Arab and Islamic culture and a foundation for secure, cohesive and prosperous societies. They also pledged to achieve equality and equity, and to promote civic engagement in decision-making and participation.

³ Irrespective of poor targeting of general subsidies, these are from public budgets for a social purpose. Rationalizing subsidies and targeting them to people in greatest need is key to social expenditure reform but not a sufficient reason to discount subsidies as social expenditures. See ESCWA, 2017a and ESCWA (2019).

⁴ IMF (2019b).

⁵ OECD (2019).

⁶ See, for example, A/RES/70/1, paras. 20, 67; targets 1.b and 2.a; and Goal 8.

Given this context, the SEM defines that any measure of social expenditure must take into consideration two guiding objectives: (a) targeting expenditure to ensure social justice and inclusive development, reduce poverty and inequality, and improve human development; and (b) targeting expenditure to enhance human capital and innovation, promote gender equality and foster sustainable economic growth.⁷ For example, social investments in education and research, skills development and training, housing and community amenities, environmental protection, and the promotion of art, culture and sports are important for building human capital and promoting innovation. This, in turn, permanently increases people's participation in the growth process. Fiscal policy should therefore not be restricted to mere redistribution in the form of social assistance, social insurance and general subsidies; it should play a much larger role in building advanced societies and economies. Providing quality public services, reducing poverty and inequality, enhancing social protection, and promoting art, culture and sports are central to ensuring inclusive development and social justice. At the same time, rationalizing social expenditures and finding the right mix to meet different objectives are crucial for improving macroeconomic and social stability to enhance wellbeing⁸.

The SEM framework maps on-budget public social expenditures by purpose and beneficiary, and by current and capital expenditures. It classifies the expenditures into seven dimensions: (1) *Education*; (2) *Health and nutrition*; (3) *Housing, connectivity and community amenities*; (4) *Labour market interventions and employment generation*; (5) *Social protection, subsidies and support to farms*; (6) *Arts, culture, and sports*; and (7) *Environmental protection*. The dimensions cover all public expenditures that have a social purpose and incorporate targets in which the 2030 Agenda aims for improvement or universal access (covering about 69 out of the 169 targets).

The indicators in each dimension are designed to map the purpose of expenditure (by COFOG) and the beneficiary population, which is classified into current and capital expenditures. Aggregate public expenditure statistics do not provide information on the purpose of spending, population groups and the gaps in spending. The SEM matrix addresses this lack of information by presenting the expenditures by purpose across main beneficiaries. Furthermore, the classification of current and capital expenditures by each indicator helps analysing productivity and growth in macroeconomic context. Table 1 below shows the SEM Indicators as presented in the SEM framework 2019.

While the purpose of expenditure is aligned with COFOG, the beneficiaries are classified as children, young people and adults (disaggregated by sex); older persons; persons with disabilities, sickness and survivors; socially marginalized or at risk of social exclusion, refugees and immigrants; households benefitting from financial or in-kind support; and also the community at large such as expenditure on public goods and services and investments on non-financial assets that are not exclusively for any specific population group. Also, to capture administrative expenditure, a beneficiary entitled Administrative and Institutional Support is incorporated in the framework. The indicators aim to capture crucial social development priorities in the Arab region and represent a concrete step towards aligning thinking on social policy interventions and fiscal space with national budgets and macroeconomic policy.⁹ Table 2 below provides a bridge table showing alignment of SEM to SDG Goals, targets and COFOG codes.

⁷ ESCWA (2019).

⁸ ESCWA (2017a).

⁹ ESCWA (2019).

Table 1 - Social Expenditure Monitor: Dimensions and Indicators

<p>1. Education</p> <ol style="list-style-type: none"> 1. Early childhood education 2. Primary education 3. Secondary education 4. Post-secondary skill training 5. Tertiary education 6. Education for adults 7. Research and use of technology on advancing education <p>99. Administrative and Institutional Support</p> <p>2. Health and nutrition</p> <ol style="list-style-type: none"> 1. Outpatient services (including residential care) 2. Inpatient hospital services 3. Reproductive health care 4. Discrimination against women and gender-based violence¹⁰ 5. Public health services 6. Expenditure on medicines, medical products, appliances and equipment 7. Research and use of technology related to health and nutrition <p>99. Administrative and Institutional Support</p> <p>3. Housing, connectivity and community amenities</p> <ol style="list-style-type: none"> 1. Housing 2. Water supply network and reservoirs 3. Quality of water supply 4. Urban commuting 5. Rural road connectivity 6. Street lighting 7. Community development 8. Research on housing and amenities <p>99. Administrative and Institutional Support</p> <p>4. Labour market interventions and employment generation programmes</p> <ol style="list-style-type: none"> 1. Incentives to encourage female employment 2. Training and skills upgrading, including on technology (on the job) 3. Grants and other incentives to private enterprises/start-ups for job creation 4. Employment generation programmes 5. Research on labour market programs and policies <p>99. Administrative and Institutional Support</p>	<p>5. Social protection, subsidies and support to farms</p> <ol style="list-style-type: none"> 1. Support towards achieving basic income, housing and food security 2. Unemployment benefits 3. Support to family and children, including maternity benefits 4. Subsidies to food processors 5. Subsidies to fuel (oil and gas) 6. Subsidies to electricity 7. Subsidies and other support to farms 8. Research on social protection and food security 9. Other nationally defined sets of goods and services <p>99. Administrative and Institutional Support</p> <p>6. Arts, culture, and sports</p> <ol style="list-style-type: none"> 1. Cultural facilities and events 2. Promoting individuals and organizations in art and cultural fields 3. Sports facilities and services 4. Promoting athletes and teams 5. Research on advancing sports, culture and art <p>99. Administrative and Institutional Support</p> <p>7. Environmental protection</p> <ol style="list-style-type: none"> 1. Solid waste management 2. Wastewater management and sanitation facilities 3. Incentives for renewable energy supply (hydroelectricity, solar, wind, biomass) 4. Protecting biodiversity/ combating desertification/land degradation 5. Research on environmental protection <p>99. Administrative and Institutional Support</p>
---	--

Source: ESCWA (2019).

¹⁰ Sexual and gender-based violence (SGBV) refers to any act that is perpetrated against a person's will and is based on gender norms and unequal power relationships. It encompasses threats of violence and coercion. It can be physical, emotional, psychological, or sexual in nature, and can take the form of a denial of resources or access to services. It inflicts harm on women, girls, men and boys (UNHCR).

Table 2 - Alignment of the SEM with SDGs and Government Finance Statistics

SEM dimensions	Alignment with SDGs	SDG targets	Alignment with COFOG
1. Education	4,8,9,10	4.1,4.2,4.A,4.C,4.3,4.6,8.5,9.5,10.2,17.6	70911, 70912, 70921, 70922, 70930, 70941, 70942, 70950, 70960, 70970, 70980, 70140
2. Health and nutrition	1,2,3,5,10,11,16	1.4,2.1,2.2,3.1,3.7,3.8,3.A,3.B,5.1,5.2,5.3,5.6,10.3,11.7,16.1,16.2,16.3	70721, 70722, 70723, 70724, 70731, 70732, 70733, 70734, 70740, 70711, 70712, 70713, 70750, 70760, 70140
3. Housing, connectivity, and community amenities	1,6,11	1.4,6.1,11.1,11.2,11.3,11.A	70610, 70620, 70630, 70640, 70650, 70660, 70451, 70485, 70140
4. Labour market interventions and employment generation	5,8,9,10	5.5,8.2,8.3,8.5,8.6,9.2,10.4,10.7	70412, 70481, 70140
5. Social protection, subsidies, support to farm	1,2,3,10	1.3,2.3,3.8,10.1,10.2,10.3	71011, 71012, 71020, 71030, 71040, 71050, 71060, 71070, 71080, 71090, 710432, 710435, 70421, 70140
6. Art, culture and sports	4,8,11,16	3.5,3.9,4.7,10.2,10.3,11.4,16.1,16.A	70810, 70820, 70840, 70850, 70860, 70140
7. Environmental protection	2,6,7,9,11,12,14,15	4.1,4.2,4.A,4.C,4.3,4.6,8.5,9.5,10.2,17.6	70510, 70520, 70436, 70422, 70530, 70540, 70550, 70560, 70140

Source : ESCWA (2019), UN SDG, IMF (2014).

The commonalities and differences among the three measures in mapping public expenditures, namely the IMF measure on health, education and social protection in its limited form (HES), the OECD measure (SOCX) and ESCWA measure (SEM), are provided in Table 3.

The SEM captures social expenditure from a broader lens as compared to other measures. It goes beyond the traditional measures and captures those aspects that contribute to increasing human capability, creativity, and inclusive development, and it is aligned with the SDGs approach.

Table 3 - Comparison of the available measures of social expenditure: SEM vs. HES vs. SOCX

Dimension Institution	Education	Health	Housing, connectivity and community amenities	Labour market interventions and employment	Social Protection, subsidies and support to farms	Arts, culture, and sports	Environmental protection
IMF (HES)	Recorded	Recorded	Not recorded	Not recorded	Recorded (social protection excluding subsidies to fuel, Electricity and support to farm)	Not recorded	Not recorded
OECD (SOCX)	Only records spending on early childhood education and care	Recorded	Not recorded	Recorded [Tax Breaks for social purposes: recorded]	Recorded	Not recorded	Not recorded
ESCWA (SEM)	Recorded	Recorded	Recorded in addition to urban commuting and rural road connectivity expenditures	Recorded [Tax Breaks: recorded]	Recorded (including subsidies to fuel, electricity, and support to farm)	Recorded	Recorded

Source: ESCWA (2019), OECD (2011), and IMF (2014).

Note: OECD social expenditure records public and private expenditure for social purpose.

2.2 Challenges in mapping public budgets

Producing the SEM requires compiling information from the budgets in a systematic way by identifying and mapping the budget lines to social services and to beneficiaries. The region is widely diverse in budget systems and reporting of Government finance statistics. Some countries follow a result-based or programme-based budget (with or without COFOG), while some others follow COFOG or their own classification for public expenditure. A detailed mapping of public budgets of Arab States indicates several issues with regard to identification and classification of public expenditure to social services due to the following variations in availability of budget records for analysis¹¹.

- *The level of disaggregation often doesn't allow clear identification of social services and their target beneficiaries:* Some countries use COFOG with data disaggregation of up to 5 digits, which identifies the purpose of the expenditure and thus helps build several indicators for the SEM. Greater disaggregation of data for some indicators of the SEM is however needed, such

¹¹ ESCWA (2020)

as separating the expenditure on early childhood from primary or higher education and so on. The data disaggregated by sex also poses a challenge for most indicators of the SEM. A clear disaggregation of social services and their beneficiaries requires results-based or programme-based budgeting, which is practiced by few countries in the region.

- *The economic classification of social services are often not reported*: The countries that report Government finance statistics by COFOG provide total expenditure by purpose; however, often there are no disaggregation by current and capital expenditure by COFOG. IMF’s Government Finance Statistics Manual (GFSM) provides a cross-classification of Economic Classification of budget and COFOG, however, it is practically difficult to cross-classify the available budget data without having access to more detailed records.
- *The comparability of budget classifications over time may not be coherent*: The Government finance reporting system may change over time, which requires examining and reclassifying budget lines over time for comparability purposes. The coherence between programme based and COFOG classifications is another issue that may emerge while looking into the expenditure data over time.
- *The sources of expenditure are not consolidated – General vs Central Government*: The source of expenditure, whether it is the central Government budget or the general Government budget, is another important aspect in order to understand budget expenditures and their comparability over time. Arriving at social expenditure of general Government is more costly and time intensive since the current data infrastructure does not allow that easily. The general Government entities are not consolidated in Government budgets in many countries across the region.
- *Detail budget document is not publicly available for most countries in the region*. Across the region, only nine out of 22 Arab states publish budget documents, such as Egypt, Iraq, Jordan, Kuwait, Lebanon, Morocco, Oman, the Sudan, and Tunisia. Out of these countries, few countries have records available over time while some countries have published records for one or a couple of years.

Table 4 -Classification of public budgets across Arab States

Group classifications					
Group I	Group II	Group III	Group IV	Group V	Group VI
COFOG/Program defined Key beneficiary defined Current/capital disaggregated	COFOG/Program defined Key beneficiary defined Current/capital not disaggregated	COFOG/Program not defined Key beneficiary not defined Current/capital may or may not be disaggregated.	Purpose and indicator not defined. No one-one relationship between program and indicator. Current/capital may or may not be disaggregated	Administrative services that cannot be split directly. Occurs for dimensions, but not for a specific indicator.	Not applicable

Source: ESCWA (2020).

Overcoming these challenges requires working with Government authorities, including sectoral ministries, to access detail budget records, which was a critical task in preparing SEM records. This is time taking and costly, for which a piloting exercise was undertaken for Jordan and Tunisia. In addition, publicly available budget documents for other six countries are assessed, using the same methodology, to construct the SEM database. The analysis of SEM focuses on these eight countries while regional assessment of public social expenditure focusses on three dimensions overall – health, education and social protection (HES).¹²

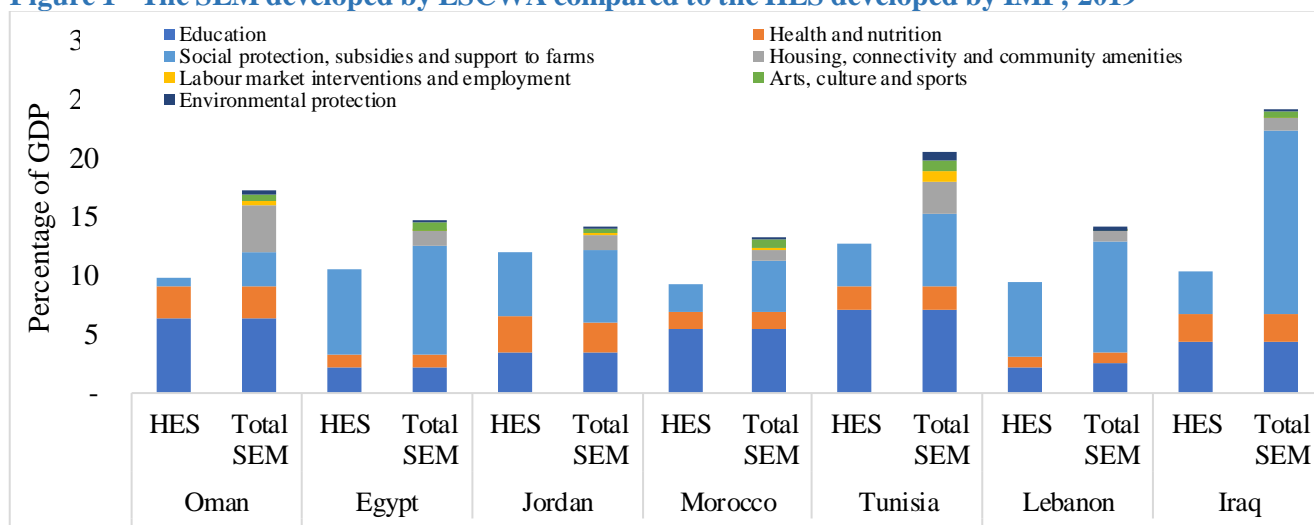
For these reasons of heterogeneity in reporting of GFS across the Arab States, and also for comparability of data over time, the exercise on SEM facilitates better understanding of social expenditure data, as well as its coherence with reporting of GFS and national accounts. Classification of public budget across Arab States is presented in Table 4.

2.3 Adding up the numbers: comparing the SEM and other measures

Figure 1 provides a comparison of overall HES and SEM, as a share of public budgets in 2019. As noted in the framework, the SEM requires more detailed information by purpose and beneficiary. Data are available only for several countries in the Arab region, as presented. All SEM data refers to central Government budgets. Mapping budget lines to SEM indicators is undertaken in discussion with national authorities in selected countries and a similar methodology is adopted for rest of the countries. The SEM total expenditure is higher than that of the HES in all countries in the sample in 2019. The difference is highest in Iraq (13.8 per cent), followed by Tunisia (7.8 per cent) and Oman (7.4 per cent). The difference is lowest in Jordan and Morocco. In Iraq, the large difference is mainly due to subsidies. In Tunisia the difference comes from expenditure in the categories of support to labour market, housing, and environment protection, categories that also explain small differences in Jordan and Morocco. The share of health and education in SEM matches the HES, which reflects categories with large shares of social expenditure in all countries.

¹² At the time of the report's preparation, data on Kuwait was not available.

Figure 1 - The SEM developed by ESCWA compared to the HES developed by IMF, 2019



Source: ESCWA, n.d.a; IMF, 2019a.

Note: In the HES, social protection does not include subsidies and support to farms. Data on SEM are from public budgets. In the case of Lebanon, subsidies to fuel and electricity are treasury advances to the electricity authority of Lebanon, which do not enter into public budgets from 2018 onwards.

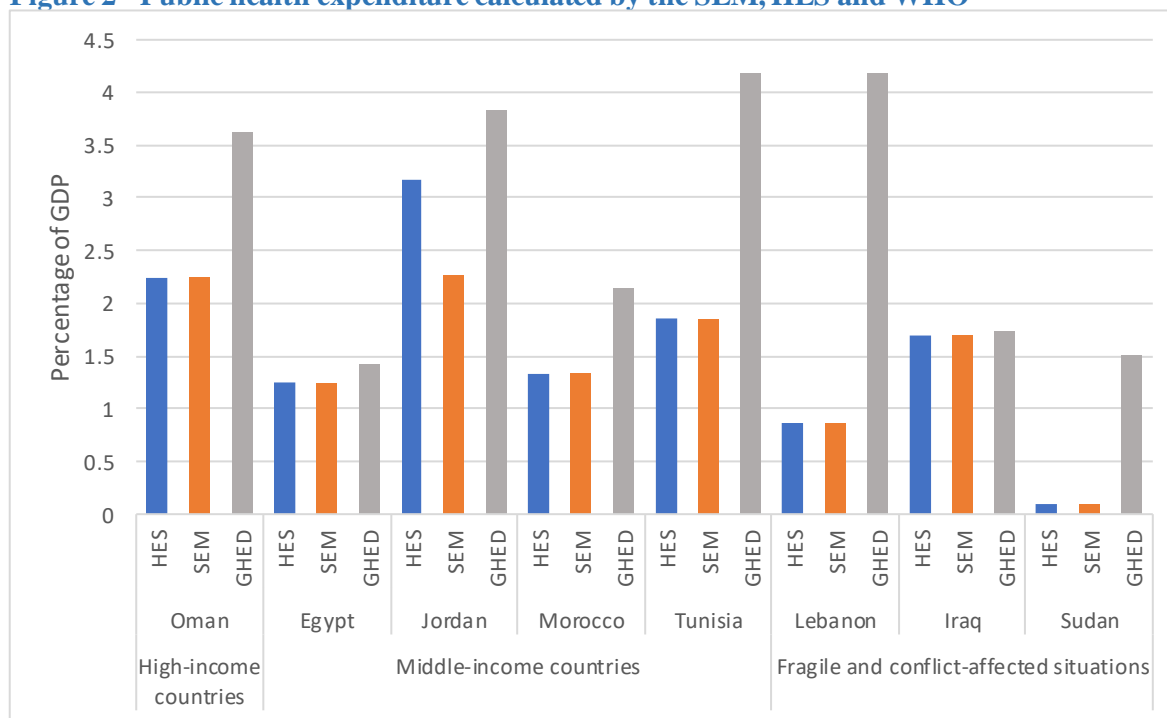
On health expenditure, the SEM database tracks the HES but is consistently below the general Government health expenditure data of the World Health Organization (WHO). Two reasons explain the difference, as shown in figure 2 below. First, WHO data are provided for the general Government, which includes both the central Government and local Governments; SEM data reflects expenditures of the central Government only. Second, the WHO expenditure statistics include a component for consumption of fixed capital, also known as depreciation, which is not recorded in financial statistics reporting such as for the SEM or for HES.¹³ Counting depreciation is not a subject of Government budgets, rather it is part of the national accounting system. Health expenditure in the SEM reflects only current expenditures from the budget, a methodological difference to consider in interpreting the results.

The International Labour Organization publishes national statistics on public social protection expenditure through its World Social Protection Data Dashboard.¹⁴ The ILO definition of social protection includes expenditure on services and transfers provided to individual persons and households and expenditure on services provided on a collective basis and excludes expenditures on health. Data comes from a variety of sources, including the ILO, the IMF, World Bank, the Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Development Programme (UNDP), the United Nations Children’s Fund (UNICEF), and national sources, depending on the country.

¹³ OECD/WHO/Eurostat (2011)

¹⁴ ILO Social Protection Dashboard.

Figure 2 - Public health expenditure calculated by the SEM, HES and WHO



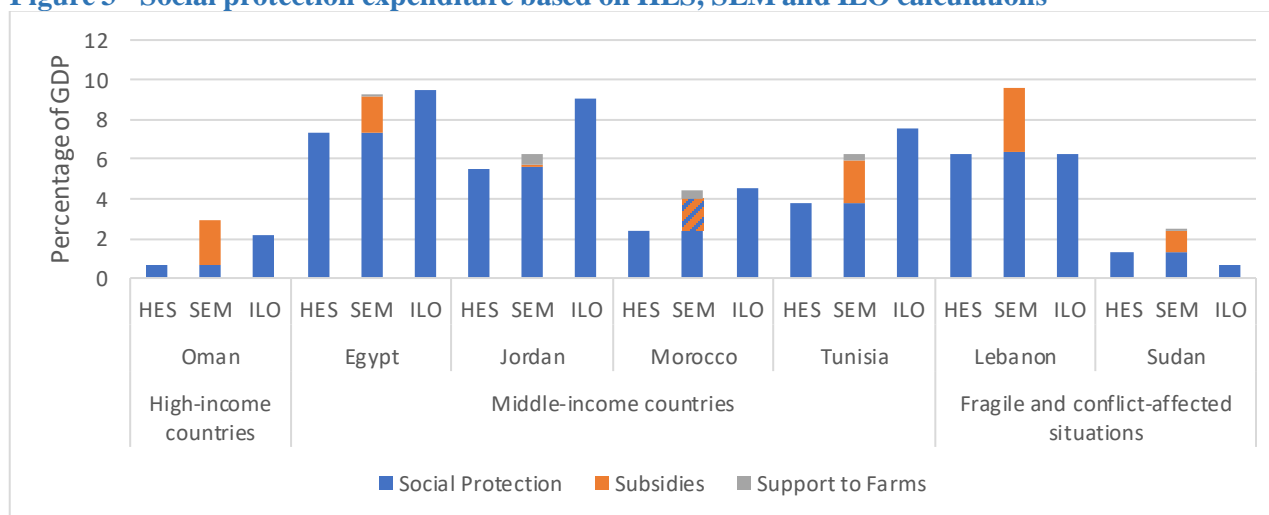
Source: ESCWA, n.d.a; IMF, 2019a; OECD, WHO and Eurostat, 2011.

Note: GHED stands for the Government Health Expenditure Database of the WHO. The SEM health expenditure for Lebanon is estimated and differs slightly from the HES calculation based on actual expenditures. Data for Iraq are from 2017 and the Sudan from 2016.

Figure 3 shows that in most countries, the social protection component of the HES is lower than the ILO figures for social protection. In some countries such as Lebanon and Oman, the difference between HES and ILO is small, while in others such as Jordan and Tunisia, it exceeds 3 to 4 per cent of GDP. The SEM social protection component is equal to that of HES, as shown by the blue section of the SEM bars. The SEM social protection component is equal to the HES, but since it adds subsidies and support to farms, it bridges the gap between the HES and ILO measures. The resulting SEM total for social protection, subsidies and support to farms is in line with the ILO social protection statistics in several countries.

Few countries with substantial differences between the SEM and ILO figures. For Lebanon, the ILO social protection data is sourced from the IMF, which is why the HES and ILO measures are nearly identical. The SEM social protection component is very close to the IMF data (6.4 per cent versus 6.3 per cent, respectively), although to produce the dimension, SEM added in subsidies, which are over 3 per cent of GDP in Lebanon. For Jordan, the SEM social protection component closely matches the HES figures produced by the IMF.

Figure 3 - Social protection expenditure based on HES, SEM and ILO calculations



Source: ILO, n.d.b; IMF, 2019a; ESCWA, n.d.a.

Note: Data are from 2020 or the latest available year. Subsidies to food processors, which are considered social protection, and subsidies to fuel and energy, which are classified as subsidies, are not disaggregated in the Morocco budget data. Therefore, the orange-brown section cannot be further disaggregated.

3. How social expenditure compares in the region and with the world

Developing a regional and global comparison of social expenditures required focusing on the HES, since data on other aspects of expenditure are not available or are filtered from published Government finance reports. The HES covers 127 countries, including 14 Arab States. For analysis, countries were grouped by income and development level. High-income countries included 51 nations, of which 5 were Arab States. Middle-income countries comprised 52 countries with 4 Arab States. Of 10 least developed countries, none were in the Arab region. Fourteen countries with fragile and conflict-affected situations were included; five were Arab States.

3.1 Size of public budgets as a whole

From 2010 to 2019, public expenditure, as a share of GDP, remained almost stagnant in the Arab region (34.6 percent) compared to the World average of 35.7 per cent¹⁵. In 2020, the world average increased to 39.5 per cent during the pandemic.¹⁶ The Arab regional average increased to 35.9 per cent but remained lower than the world average with most economies facing limited fiscal space and contraction in their

¹⁵ Historical trends since 1990s suggest a decline in public expenditure, as a share of GDP, that Arab Governments have undertaken as policies toward increasing privatization and liberalization. It has not only declined the size of Government spending, but also the quality of public institutions and impact on public services for the poor (Diwan and Akin 2015).

¹⁶ The increase in the ratio of expenditure to GDP is influenced partly by the fiscal stimulus extended by countries to support their people and economies, and partly by GDP losses.

incomes. The share in the region varied,¹⁷ reaching 40.4 per cent in the high-income countries (HICs) in 2019, 30.7 per cent in the middle-income countries (MICs), 20 per cent in the least developed countries (LDCs), and 36.3 per cent in the countries with fragile and conflict-affected situations (FCS) as shown in Figure 4.

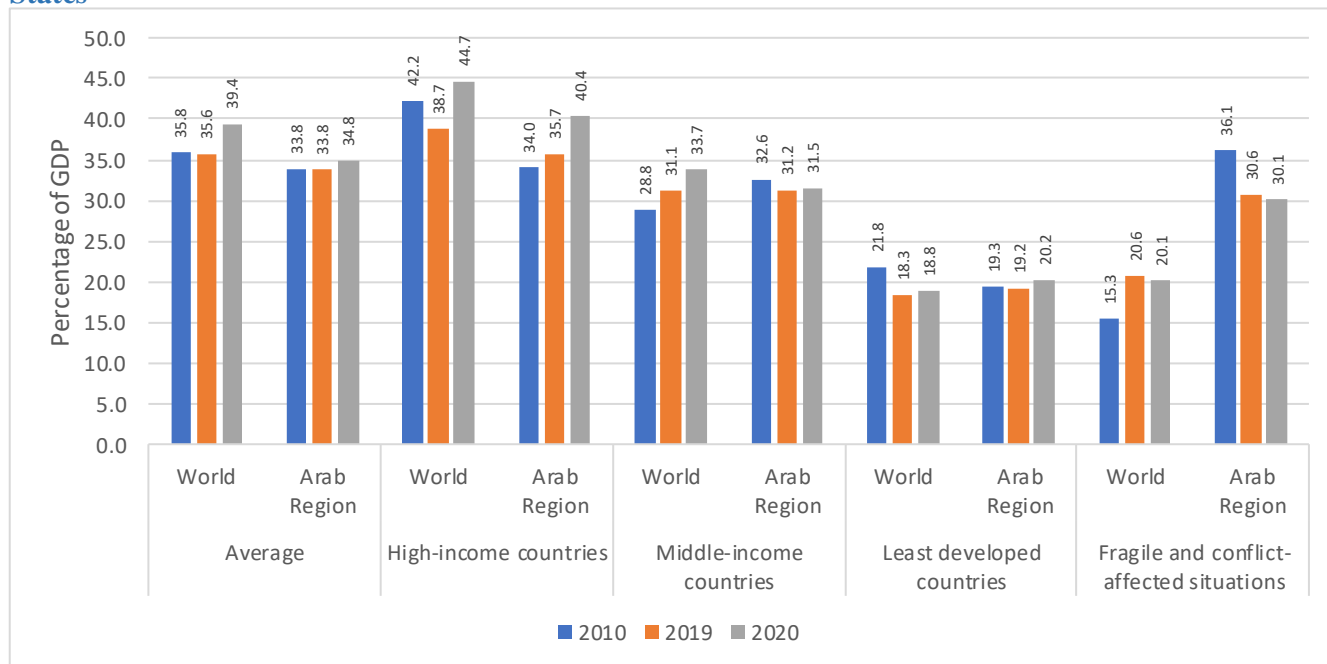
In the region's high-income countries, the expenditure-to-GDP ratio, on average, increased from 34 per cent in 2010 to 40.4 per cent in 2020, albeit with some year-to-year fluctuations. During the pandemic, most GCC countries resorted to borrowing or withdrawals from sovereign reserves to finance Government expenditures, including fiscal stimulus measures.

In the middle-income countries, the expenditure-to-GDP increased during 2010-2014, on average, which mainly resulted from higher subsidy bills associated with the rising oil imports. The share fell from 31.2 per cent in 2019, mostly due to several measures to contain fiscal deficits, including expenditure cuts and subsidy reforms. With the adverse impact of the pandemic on the economic output, the share of expenditure to GDP further declined to 30.7 per cent in 2020, while that for global peers increased from 31.1 to 33.7 per cent. Inadequate domestic revenue mobilization, external liquidity challenges and high debt-service payments impeded increased financing for essential expenditures even during the pandemic.

In the least developed countries, the percentage remained largely stable during 2010 to 2019 at around 19 per cent, while Government spending increased slightly during the pandemic to reach 20.2 per cent mainly due to some debt relief measures for these countries during the pandemic.

¹⁷ HIC countries in this analysis include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and UAE (6). MIC countries include Algeria, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Tunisia and Palestine (9). LDC countries included Comoros, Djibouti, Mauritania, Sudan, and Yemen (5).

Figure 4 - The pandemic pushed up public expenditure as a share of GDP globally, but not in the Arab States



Source: Sarangi and others, 2021, based on data from IMF, 2020b.

Note: Data are for 187 countries, including 58 high-income countries, 75 middle-income countries, 24 least developed countries, and 30 countries with fragile and conflict-affected situations. This includes 20 Arab countries; 6 high-income countries, 5 middle-income countries, 2 least developed countries, and 7 countries with fragile and conflict-affected situations.

A review of the breakdown of expenditures shows that the Arab region has been spending more on running costs such as salaries than on building essential infrastructure such as schools, hospitals and roads, or on investing in productive sectors that contribute to growth and human development. Most of the public expenditure in the Arab region goes into current expenditure, primarily as wages and salaries to employees. In 2019, current expenditure constituted around 81.5 per cent of the public expenditure in the region, leaving just 18.5 per cent for capital expenditure (Figure 5). Around 36 per cent of public spending, on average for 12 countries in the region with available data in 2019, went to employee salaries and 14 per cent to goods and services. Social benefits, subsidies and grants constituted 17 per cent (Figure 6). Interest payments accounted for almost 7 per cent and remaining current expenditures under the “other” category represent 9 per cent. Only 16 per cent of spending comprised investments in non-financial assets.

Figure 5 - Current expenditure dominates Arab public expenditure

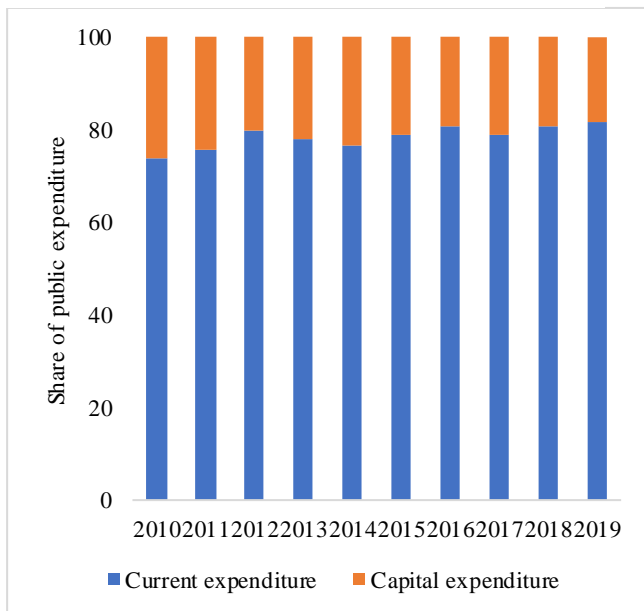
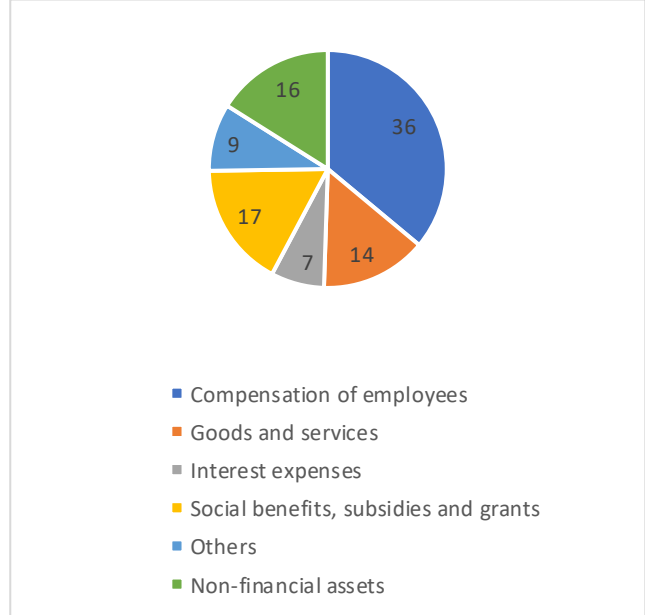


Figure 6 - The economic composition of public expenditure in the Arab region, 2019 (Percentage)



Source: Budget statements from ministries of finance of respective countries; IMF (2019).

3.2 The size of HES expenditure in public budget allocations

Based on the HES definition, on average, Arab Governments devote around 8.6 per cent of GDP to social expenditure. This compares to a world average of 20.7 per cent drawn from the latest available data in 2018. Since the regional average for total public expenditure as a share of GDP is almost on par with the global average, the difference in public social expenditures is striking (figure 7). One explanation is that many Arab countries spend disproportionately on military investments instead of social ones.¹⁸ Disparities are evident across country groups, however. As a percentage of GDP, the average social expenditure for the high-income countries in the region (5.8 per cent) is only about a quarter of that of these country groups globally (24.7 per cent). In contrast, the average for middle-income countries in the region is slightly higher than that of middle-income countries globally.

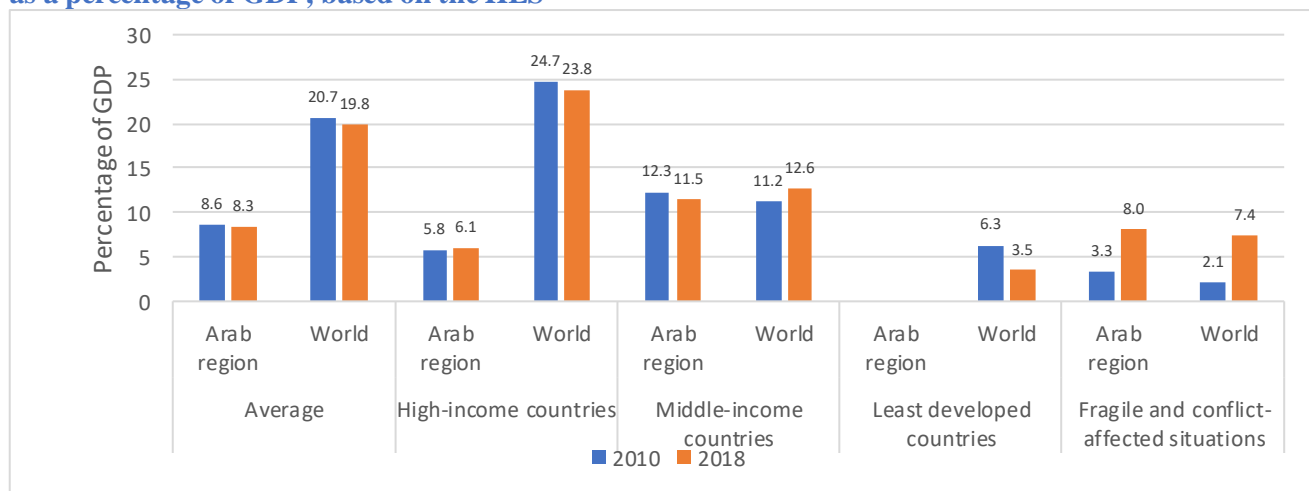
Among high-income GCC countries, some face emerging fiscal challenges to financing the SDGs. Several have undertaken major taxation reforms and turned to external borrowing, with gross public debt in the GCC countries jumping almost fivefold during the last decade, from about \$117 billion in 2008 to an estimated \$576 billion in 2020.¹⁹ Bahrain, where public expenditure on HES exceeds 35 per cent of its budget, faces the challenge of financing other areas of the SDGs while managing public debt and

¹⁸ ESCWA, 2014

¹⁹ ESCWA, 2021a

reducing the budget deficit.²⁰ While 41 per cent of Kuwait’s total expenditure is on HES, it has indicated that financing all of the 2030 Agenda is constrained by fiscal imbalances brought on by the pandemic and low oil prices between 2014 and 2020. Dwindling public revenue has required withdrawals from reserves and borrowing to finance public expenditures.²¹ Saudi Arabia introduced fiscal reforms, including a bump in the value added tax rate from 5 to 15 per cent in 2021, and shifted social expenditure allocations to improve its fiscal balance.²²

Figure 7 - Compared to the rest of the world, the Arab region spends much less on public social expenditure as a percentage of GDP, based on the HES



Source: Sarangi and others, 2021, based on data from IMF, 2020d

Among middle-income countries, liquidity shortages and debt are critical financing barriers to investing in the SDGs. Egypt, for example, has increased social expenditure on essential services in recent years. Government expenditure on health and education reached 6.1 per cent and 10.1 per cent of total government spending in 2020, respectively.²³ Further progress is hindered by limited fiscal space, however, driven by interest payments on government debt and a budget deficit. Even with recent reforms in its social protection policies, Egypt faces financial challenges that have intensified through the COVID-19 pandemic

Governments in the least developed countries and those with fragile and conflict-affected situations face the worst obstacles in financing and delivering essential social services. Conflict both shifts resources away from social expenditure and puts additional pressure on the environment for and quality of public services. Yet, the share of GDP on social expenditure in countries with fragile and conflict-affected situations in the region is higher than that of global averages for their peers. Several oil exporting countries contribute to pushing up the average share for this group.

²⁰ Bahrain, 2018

²¹ Kuwait, Supreme Council for Planning and Development, 2019

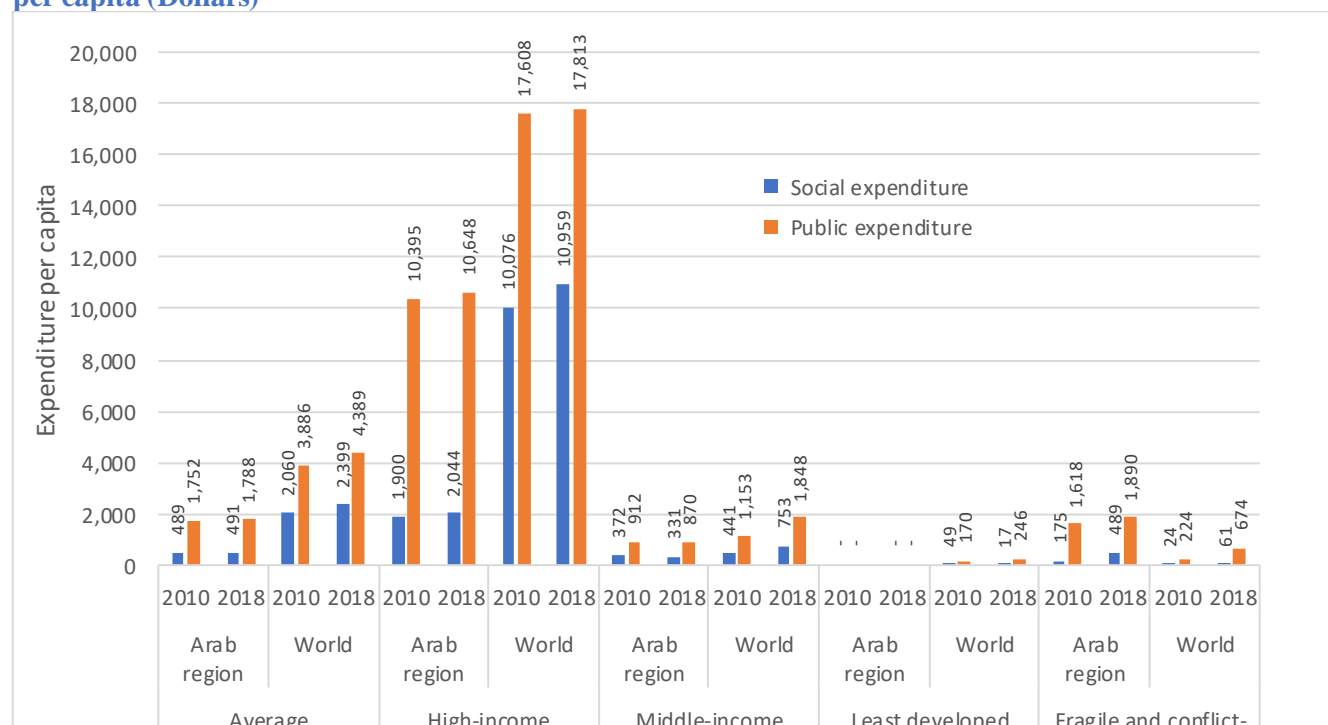
²² Saudi Arabia, 2018

²³ Egypt, Ministry of Planning and Economic Development, 2021.

3.3 HES expenditure per capita

Social expenditure per capita under the HES definition constituted nearly a quarter of public expenditure per capita in the Arab region in 2018. The regional average was \$491 compared to the global average of \$2,399 (figure 14). Arab high-income and middle-income countries have significantly lower public social expenditure per capita than global peers. In 2018, social expenditure per capita for high-income countries globally was roughly five times the rate for Arab high-income countries. While these countries globally devote more than half of public expenditure to social expenditure, Arab high-income countries invest only a fifth of Government expenditure in HES categories. Middle-income countries globally spent roughly twice as much per person on public expenditure and public social expenditure as their Arab counterparts in 2018. Arab least developed countries lack sufficient data for reliable comparison.

Figure 8 - The Arab region, across country income groups, lags much of the world on social expenditure per capita (Dollars)



Source: Sarangi and others, 2021, based on data from IMF, 2020d

4. Calculating public social expenditure with the SEM

Calculating total public social expenditure across the seven SEM dimensions found that it accounts for between 10-20 per cent of GDP in most Arab countries.²⁴ In 2019, the highest-spending Governments

²⁴ All SEM data are from public budgets and refer to the fiscal years of respective countries. Most countries use the calendar year as the fiscal year. Egypt's fiscal year is July-June; 2019 refers to the 2018-2019 fiscal year.

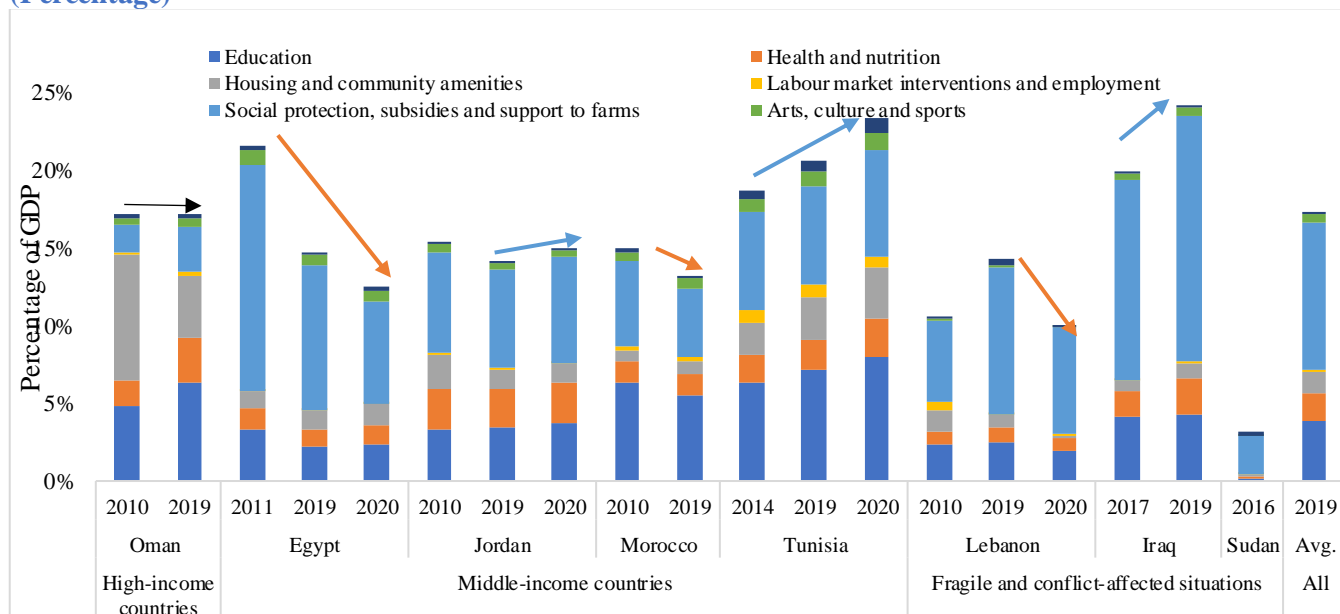
were Iraq and Tunisia, which both dedicated more than one fifth of GDP to social expenditure. On the other end, the Sudan spent 3 per cent of GDP in 2016, primarily due to limited fiscal space. At the aggregate level, there is no clear rising or falling trend in overall social expenditure over time. During the last decade, three countries increased social expenditure, as a share of GDP, with an average rise of 3.4 per cent. Another three countries saw a decline of 3.3 per cent of GDP on average. Between 2019 and 2020, two out of four countries, per available data, increased social expenditure as a share of GDP, mainly on HES (figure 9). The increase in social expenditures during 2020 was expected since Governments implemented fiscal stimulus and social protection measures to mitigate the impact of COVID-19. This included expansion of social protection measures both through setting up new temporary schemes and enlarging the coverage of pre-existing ones²⁵.

Among the seven SEM dimensions, the largest share, reaching 9.5 per cent of GDP in 2019, went to social protection, subsidies and support to farms, based on eight countries with available data²⁶. This dimension has seen the greatest fluctuation in expenditure over time due to significant year-to-year changes in the value of subsidy programmes. Shifts in social protection spending have driven substantial changes in overall social expenditure in Egypt and Iraq. Regional spending on education was 3.9 per cent of GDP in 2019, a figure that has remained relatively stable over time. In Morocco, Oman and Tunisia, education was the largest dimension of social expenditure in 2019; in most other countries, it was the second-largest dimension.

²⁵ United Nations, 2021a.

²⁶ Analysis of the social protection, subsidies and support to farms dimension is restricted to the following countries with available, sufficiently disaggregated and internationally consistent data: Egypt, Iraq, Jordan, Lebanon, Morocco, Oman, the Sudan and Tunisia.

Figure 9 – Across Arab countries over time, there are no clear trends in public spending by SEM dimension (Percentage)

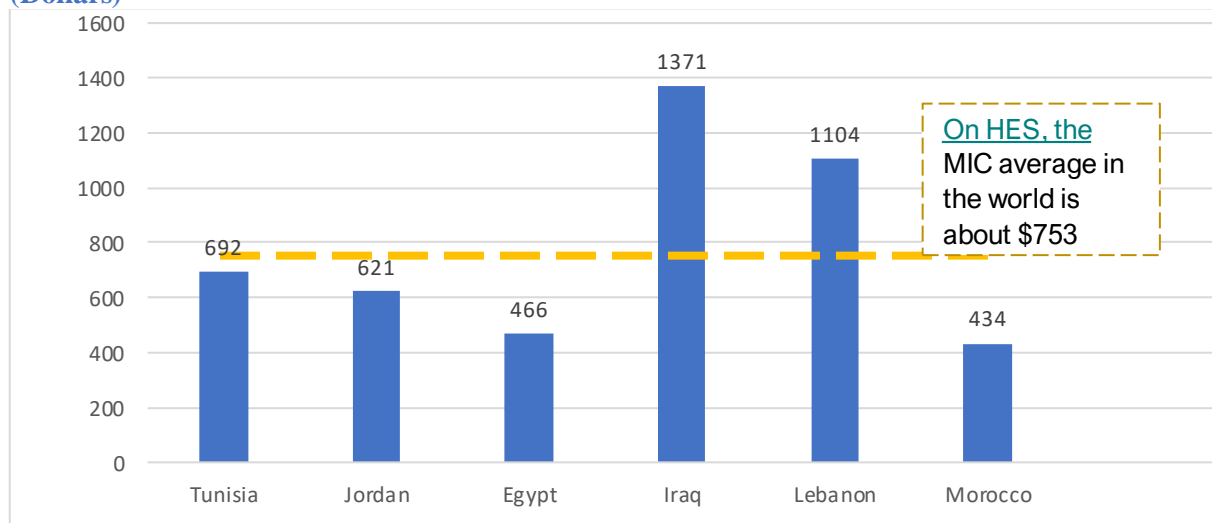


Source: ESCWA Social Expenditure Monitor Dashboard.

The health and nutrition dimension and housing, connectivity and community amenities dimension are comparable in expenditure, with both averaging around 2 per cent of GDP for countries with sufficient data. The remaining three dimensions receive considerably less support. Expenditure on arts, culture and sports consistently falls between 0.5 and 1 per cent of GDP, while labour market interventions and employment and environmental protection each received less than 0.25 per cent of GDP in 2019, on average.

Based on SEM calculations, Arab middle-income countries have low social expenditure per capita, varying between \$434 in Morocco and \$692 in Tunisia. Taking only three dimensions of social expenditure, based on the latest HES data in 2019, the global average was about \$753 (figure 10).

Figure 10 - The SEM reveals low social expenditure per capita in Arab middle-income countries in 2019 (Dollars)



Source: ESCWA Social Expenditure Monitor Dashboard

A look at social expenditure by SEM dimension:

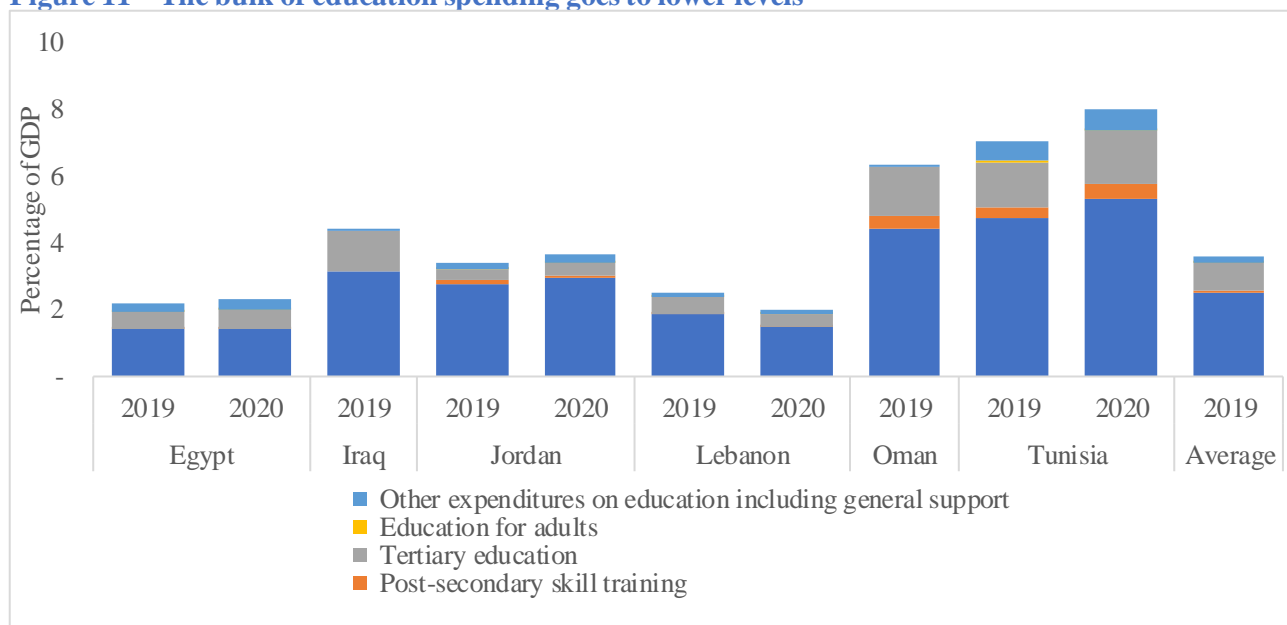
4.1 Education

Education expenditures represented 11 per cent of the region’s total public expenditure and 22 per cent of public social expenditures in 2019. The vast majority (70 per cent) of education expenditure is dedicated to primary and secondary education²⁷. This represents 2.5 per cent of total GDP for the countries assessed with the SEM (figure 11). Information on early childhood expenditure is available in two countries, namely Jordan and Tunisia. However, their share is too little. In 2019, it was 0.35 per cent of education expenditure in Jordan and 0.16 per cent of education expenditure in Tunisia.

Approximately two-thirds of the remaining education expenditure goes to tertiary education, the share of which has increased steadily over the last decade. By contrast, the other education expenditures indicator, which notably includes administrative expenses, has declined to 4.7 per cent of total education spending in 2019, from 8.1 per cent in 2011 (*Figure 11*). Post-secondary skills training accounted for 2 per cent of education spending in the most recent available data, although this indicator varies significantly by country. Tunisia and Oman both invest substantial amounts in skill training while Egypt’s expenditure in this category is negligible.

²⁷ Indicator-level analysis is restricted to the following countries with available, sufficiently detailed, and internationally consistent data: Egypt, Iraq, Jordan, Oman, and Tunisia.

Figure 11 – The bulk of education spending goes to lower levels



Source : ESCWA Social Expenditure Monitor Dashboard.

Jordan has a low illiteracy rate (6.4 per cent overall, 3.4 per cent among male and 9.5 per cent among women). This explains the very little spending on education for adults, less than 2 million Jordanian Dinars or 0.04 per cent of the total public social expenditure, although under the Education Strategic plan 2018-2020, the Ministry of Education operates different programs for adult and children who have dropped out of school (e.g. Adult Literacy Program). In Oman, even though the literacy rate for the people aged 15-44 reached 95.7 per cent in 2018²⁸ and expenditure on education for adults is estimated at zero, the National Strategy for Education is targeting improving the adult education program and making it an integrated component of the education system to reach 100 per cent.

In Egypt, the Sustainable Development Strategy (SDS) - Egypt Vision 2030 calls for developing a high-quality education and training system with efficient, sustainable, and flexible institutions. While spending on post-secondary skill training tends to be negligible as reflected in the graph, the plan gives a particular significance to technical and vocational training. In 2018, spending on post-secondary skill training increased to 0.55 per cent of total spending on education up from 0.21 per cent in 2011.

Mid-term interventions in Iraq Vision 2030 focus on early childhood and primary education and higher education. As well, it aims at enhancing skills, technical and vocational education including teachers training, rehabilitation and training programs to empower as productive citizens.

With the aim of reducing the illiteracy rate for the 10-59 age group from 18 per cent to 16 per cent in 2020, Tunisia’s Development Plan 2016-2020 is activating the National Literacy and Adults Education

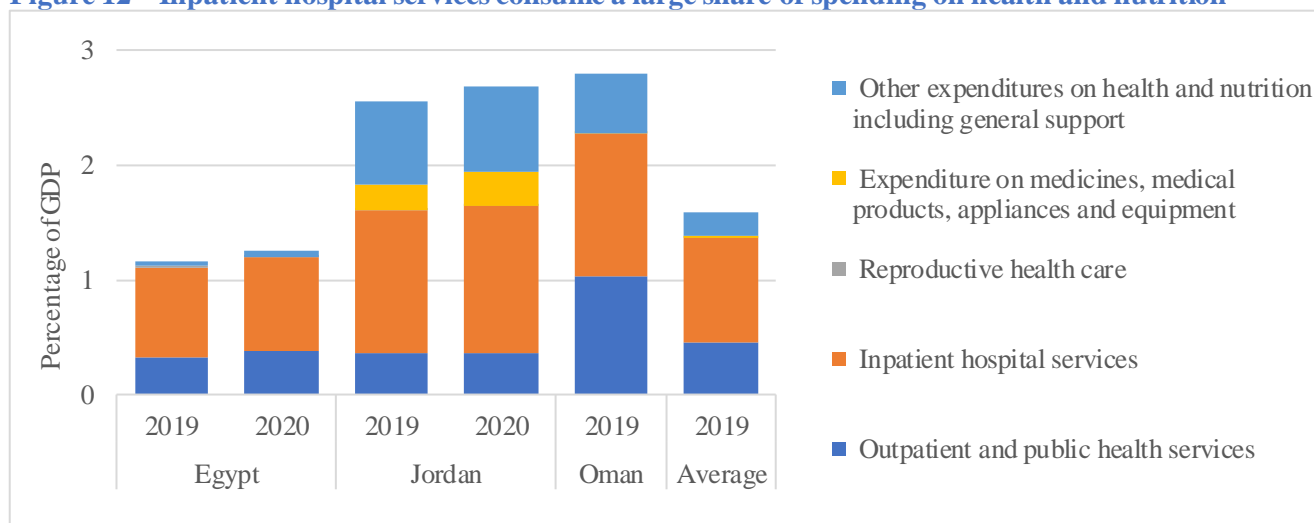
²⁸ UNESCO (2011)

Strategy through the development of legislative and regulatory aspects to review the educational programs to cover regions with gender gaps related to literacy rates.

4.2 Health and nutrition

Social expenditures on health and nutrition ranged from 1.2 per cent of GDP in Egypt to 2.8 per cent in Oman, making it one of the larger SEM dimensions. In all countries with sufficiently detailed data, inpatient services is the largest component of social expenditure on health and nutrition.²⁹ Outpatient and inpatient services combined for 86 per cent of total spending on health and nutrition in 2019, which represented roughly one and a half percentage point of GDP. This distribution has been fairly consistent over the last ten years. Most of the remaining spending falls in the other expenditures’ category, which includes administrative expenses. Expenditures on the medicine, medical products, appliances, and equipment indicator and reproductive healthcare were very limited, comprising 1.3 per cent and 0.03 per cent of total health and nutrition spending, respectively (*Figure 12*).

Figure 12 – Inpatient hospital services consume a large share of spending on health and nutrition



Source: ESCWA Social Expenditure Monitor Dashboard.

Expenditure on reproductive health, a key public service to enhance gender equality, is negligible in most Arab countries. Tunisia, for instance, devotes only 0.19 per cent of total spending on health and nutrition to reproductive health care, even as the National Development Plan 2016-2020 intensified efforts to provide single mothers with training and awareness on reproductive health. Expenditure on reproductive health, a key public service to enhance gender equality, is negligible in most Arab countries. Tunisia, for instance, devotes only 0.19 per cent of total spending on health and nutrition to reproductive health care, even as the National Development Plan 2016-2020 intensified efforts to provide single mothers with training and awareness on reproductive health. Despite the diversification of expenditures on health and

²⁹ Indicator-level analysis for the health and nutrition dimension is restricted to the following countries with a available, sufficiently detailed, and internationally consistent data: Egypt, Jordan, Oman, and Tunisia.

nutrition in Jordan and covering all indicators of this dimension, several challenges are still evolving reproductive health is one of the main components of the national strategy of population in Jordan while spending on this indicator is negligible during the past decade. The Ministry of Health is currently implementing a national health communications strategy that includes reproductive health and family planning, and health care for women and children.

Expenditures on reproductive health and on medicines, medical products, appliances, and equipment are negligible in Egypt. In this context, the SDS – Egypt vision 2030 gives a high priority to enhance the quality of healthcare services and aims to promote reproductive health and proper nutrition programs. Oman emphasizes providing comprehensive care to mothers and children to promote health and reduce morbidity and mortality. But while the Ministry of Health provides maternal morbidity indicators as part of showing efforts to realize high-quality health services, data on health and nutrition expenditures are not well disaggregated.

The ministry is currently implementing the activities of the national strategy for health communication strategy, which includes reproductive health / family planning, women, and child health care. Expenditures on reproductive health and on medicines, medical products, appliances, and equipment are negligible in Egypt. In this context, the SDS – Egypt vision 2030 gives a high priority to enhance the quality of healthcare services and aims to promote reproductive health and proper nutrition programs. In Oman, a high importance is given to maternal health to provide comprehensive care to mothers and their children and to promote health and reduce morbidity and mortality in both groups. Institutions of Ministry of Health provide maternal morbidity indicators showing efforts of the ministry to enable women and children to a high quality of health services but data on health and nutrition expenditures in Oman for this indicator is not well disaggregated and that is how it has been reflected in the graph above. Lebanon's low expenditures are largely due to the structure of its healthcare system, which depends heavily on private health providers in place of public expenditures.

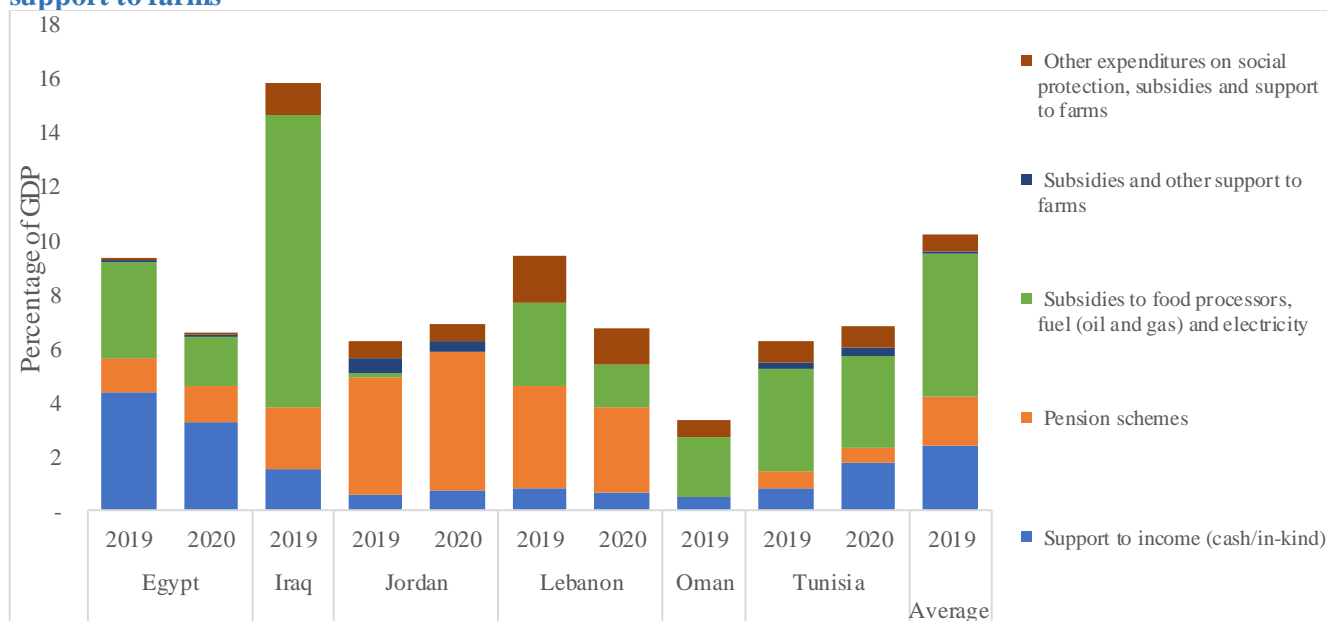
4.3 Social protection, subsidies and support to farms

Food and energy subsidies and cash and in-kind benefits are responsible for most of the spending on social protection, subsidies and support to farm in the selected countries.³⁰ . As this is the largest of the seven SEM dimensions, subsidies and cash and in-kind benefits represent a significant share of overall public social expenditure. Spending on energy and food-processing subsidies amounted to 5.4 per cent of GDP in 2019, on average, as an aggregate for selected Arab States. Several countries, especially middle-income nations, have adopted fuel and energy subsidy reforms during the last decade towards improving the efficiency of public expenditure. Rationalizing food, water and energy subsidies, however, remains a challenge.

³⁰ Indicator-level analysis for the social protection, subsidies, and support to farms dimension is restricted to the following countries with a available, sufficiently disaggregated, and internationally consistent data: Egypt, Iraq, Jordan, Oman, and Tunisia.

While the overall value of subsidies, as a share of GDP, does not show a uniform trend between 2011 and 2019, fluctuations in exchange rates, market prices and subsidy programmes have caused spending on subsidies to fluctuate between 3 and 7 per cent of GDP since 2011. In 2019, spending was at 5.4 per cent of GDP. By 2022, the impact of the Russia-Ukraine war on food and energy prices had increased subsidy bills in import-dependent countries trying to maintain subsidy schemes. Support to income, families, and children comprised 2.4 per cent of GDP in 2019, although Egypt has an outside influence on this calculation due to the country’s high population and its corresponding revenue and expenditure levels. Pension schemes, mainly social insurance expenditures for formal sector employees, accounted for 1.8 per cent of GDP across the selected countries but over 4 per cent in Jordan, where they are the largest component of social protection spending. Other categories such as support to housing, subsidies to farms, and the other expenditures indicator receive relatively little support.

Figure 13 – Food and energy subsidies are prominent in spending on social protection, subsidies, and support to farms



Source : ESCWA Social Expenditure Monitor Dashboard.

In the case of Lebanon, subsidies to fuel and electricity are treasury advances to the electricity authority of Lebanon, which do not enter into public budgets from 2018 onwards.

For certain countries, budget documents allow for further disaggregation of subsidies between those to food processors and those to fuel and electricity. This disaggregation shows that a vast majority of subsidies are to fuel and electricity. In 2019, roughly 85 per cent of the subsidies went to energy, while the other 15 per cent went to food processors.

There are significant differences across countries, as Iraq and Oman reported no subsidies to food processors. In Egypt, nearly half of the total subsidies were on food in 2020. Food processing subsidies in Lebanon fell by 80 per cent from 2010 to 2019. Given the regressive nature of energy subsidies, it is concerning that they occupy a large share of total subsidies, and therefore public social expenditure, in many Arab countries.

4.4 Housing, connectivity, and community amenities

Housing is a fundamental importance to other areas of human development such as education, employment, and health in addition to its significant role of identity to the citizen and social belonging. Social housing policies include all Government policies to increase access to adequate housing, control rents and facilitate access to finance. The SEM shows that spending on housing, connectivity and community amenities is well distributed across various components but their composition has been changing.³¹ Notably, housing and community development saw increasing support over the last decade. In 2012, the first year with representative data, housing and community development together comprised 37 per cent of social expenditure on this dimension. By 2019, the proportion was 60 per cent or about 1.5 per cent of GDP on average (figure 14).

Jordan's national development plan, Jordan 2025, highlights how many households struggle to find adequate housing, given a surplus of high-end housing and a lack of affordable housing for low- and middle-income families³². Programmes to provide social housing for low-income households include the Social Development and Combating Poverty scheme, where the main activity is constructing and maintaining housing for poor families. In 2016, Jordan established collective houses for persons with disabilities based on more inclusive social housing policies.

To provide a decent life for every citizen, Oman has created various social housing programmes, such as to build housing complexes for low-income people. A housing loan programme grants loans without interest to low-income people.³³ Libya, Morocco and Tunisia have all implemented Government-built social housing. Morocco and Tunisia have favoured an increased role for the private sector and have the region's most successful models of mixed Government and private sector projects where incentives and an environment for private developers exist to build housing that is means-tested for low-income households.

Based on the SEM, expenditure on water supply networks, urban commuting and rural road connectivity has decreased. Spending on these issues was 1.15 per cent of GDP in 2012 but only 0.6 per cent more recently. With infrastructure for urban commuting and rural road connectivity a key enabler of development, some countries have bucked this trend, however. Egypt significantly increased spending on roads in 2017-2019. It then jumped 90 places on the international competitiveness classification of

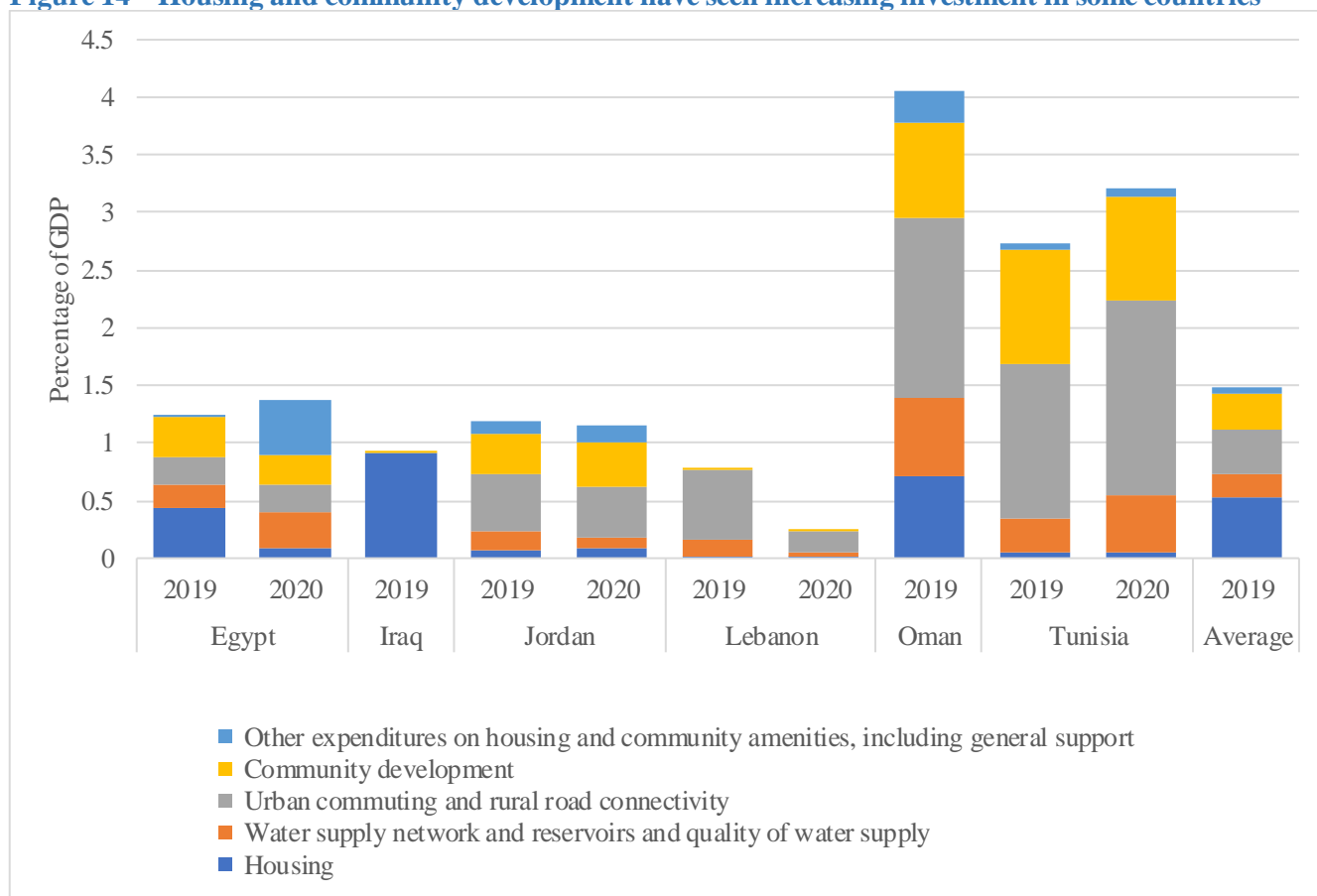
³¹ Analysis for the housing, connectivity and community amenities dimension is restricted to the following countries with available, sufficiently detailed and internationally consistent data: Egypt, Iraq, Jordan, Oman, and Tunisia.

³² ESCWA, 2017b

³³ The official portal for e-government services in Oman is available at <https://omanportal.gov.om/#p15>

road quality, from 118th in 2014 to 28th in 2019. Tunisia’s National Development Plan 2016 - 2020 emphasized infrastructure development and cost reduction through developing a road network to rural locations with ports and coastal areas, and the development and maintenance of the road and lane network.

Figure 14 – Housing and community development have seen increasing investment in some countries



Source : ESCWA Social Expenditure Monitor Dashboard.

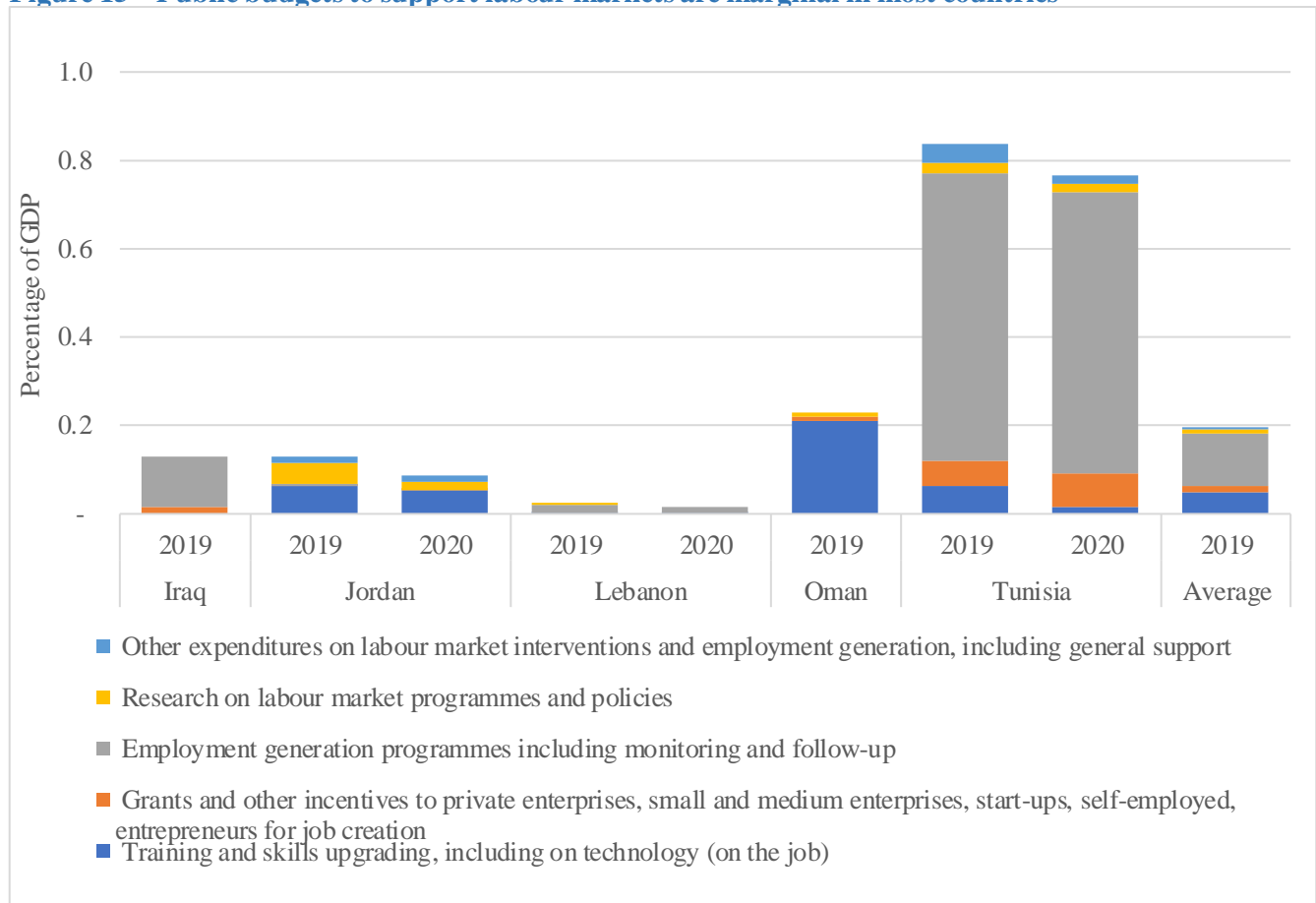
4.5 Labour market interventions and employment generation

Iraq, Jordan, Oman, and Tunisia all designate social expenditure for labour market interventions and employment generation but through different strategies.³⁴ Tunisia is the most committed to supporting labour markets; historically, the Government has spent close to a full percentage point of GDP on employment-related issues. In 2019 and 2020, Tunisia increased expenditure on employment generation through public sector employment creation programmes and grants and incentives to promote private enterprises. Training and skills upgrading is a primary focus in both Jordan and Oman. Investment in

³⁴ Analysis for the labour market intervention and employment generation dimension is restricted to the following countries with a available, sufficiently detailed and internationally comparable data: Iraq, Jordan, Oman, and Tunisia.

research on labour market programmes and policies is a substantial area of support in Jordan and, to a lesser extent, Tunisia (figure 15).

Figure 15 – Public budgets to support labour markets are marginal in most countries



Source: ESCWA Social Expenditure Monitor Dashboard.

Although Arab Governments have recognized the importance of private sector-led growth and taken various measures to foster private activity, however, their efforts to boost the SME sector have been fragmentary (IMF, 2019). In 2019, 41 per cent of Arab countries had supporting laws related to SMEs (insolvency, bankruptcy...) and only 18 per cent had regulatory impact analysis/SME test including Bahrain, Egypt, Jordan and Saudi Arabia.

Several legislative and programmatic reforms have been designed to support small and medium enterprises, entrepreneurs and start-ups. In 2018, Tunisia passed Law Number 20 to provide a clear definition for small and medium enterprises and start-ups; the Ministry of Industry and Small and

Medium Enterprises has continuously supported firms through a dedicated platform for finance.³⁵ These efforts are captured in the SEM under grants and other incentives.

Oman’s Five-Year Plan 2016 describes the need to boost the employment rate of nationals as the country’s most pressing priority. Launched in 2018, Oman’s National Youth Programme for Skills Development lies at the intersection between this challenge and the Government’s ambitions for the Fourth Industrial Revolution. The programme is captured under training and skills upgrading, which constituted the largest share of expenditure on the labour market and employment dimension.

4.6 Environmental protection

Concerningly, expenditure on environmental protection has not meaningfully increased despite the growing need for investment in the areas of climate, biodiversity, waste management, and renewable energy.³⁶ Moreover, environmental protection spending expressed as a share of GDP has decreased significantly in the last decade, from 0.32 per cent in 2011 to 0.24 per cent in 2019 (*Figure 16*). Roughly half of environmental protection support accrues to protecting biodiversity, combating desertification, land degradation, and/or pollution abatement. Wastewater management is the next largest indicator by total expenditure, due largely to Iraq, which put \$420 million toward this cause in 2019. Solid waste management accounts for 7 per cent of environmental protection expenditure based on the most recent data, though the share has declined over time. In general, spending on environmental protection depends upon a country’s exposure and vulnerability to climate change. The Arab region is highly vulnerable to climate change; projections indicate that the average increase in temperature in large parts of the region will be above the world average.³⁷ In this context, low spending on improved resilience and environmental protection is a concern.

Figure 16 – Overall environmental protection spending is very low and constrained



Source : ESCWA Social Expenditure Monitor Dashboard.

³⁵ ESCWA Arab SMEs Portal.

³⁶ Indicator-level analysis for the environmental protection dimension is restricted to the following countries with a available, sufficiently detailed, and internationally consistent data: Egypt, Iraq, Jordan, Oman, and Tunisia.

³⁷ Intergovernmental Panel on Climate Change (IPCC), 2022.

Several Arab States have set ambitious targets for developing renewable energy, although related incentives represented just 1.3 per cent of spending on environmental protection in 2019. Historically, Jordan has been the only country allocating significant sums for renewable energy, peaking at a quarter percentage point of GDP in 2017. Jordan has made a substantial leap in developing wind and solar photovoltaic projects since 2014, part of continuous efforts to implement the National Energy Strategy 2015-2025. It seeks to diversify and develop domestic energy sources and promote energy conservation.

Between 2010 and 2017, Algeria, Egypt, Jordan, Morocco, Tunisia, and the United Arab Emirates all made considerable progress in installing wind and solar power generation facilities. The Sudan leads the region with renewables making up 51 per cent of its energy, mainly from its large hydro facilities.³⁸ These are largely funded with non-budgetary finance.

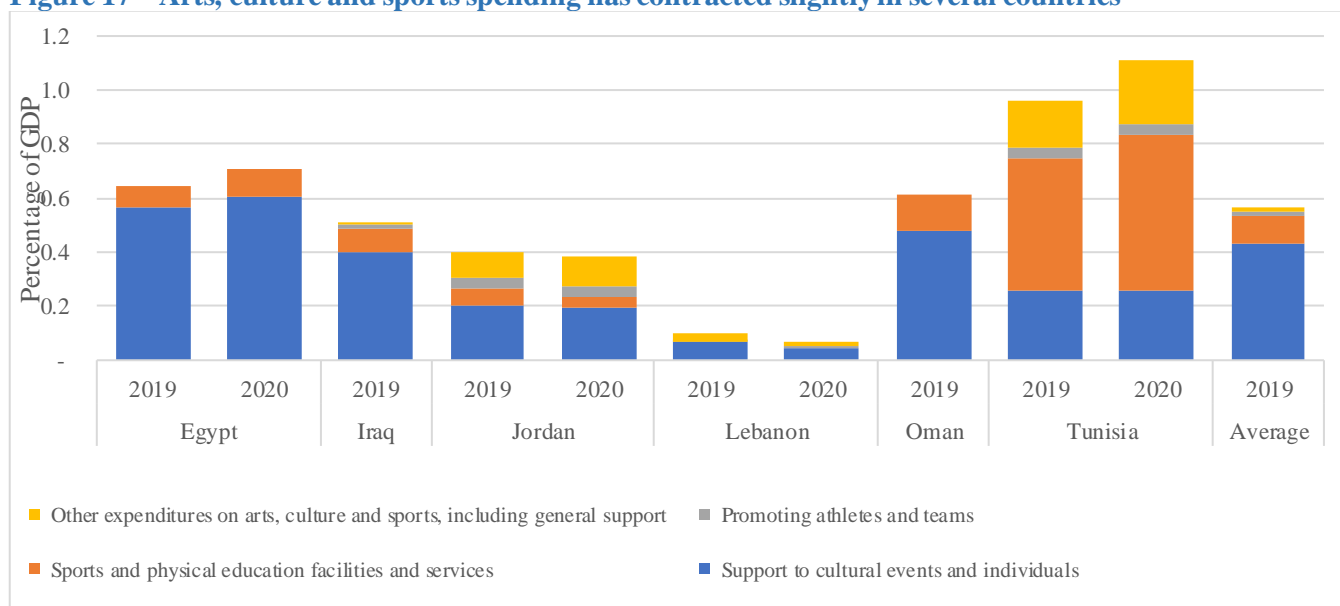
Many countries in the region are also pursuing efforts to preserve biodiversity. As such, Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia have recently updated their National Biodiversity Strategies and Action Plans. They have taken a broad range of actions to reduce biodiversity losses, ensure that biological resources and ecosystems are sustainably used, prepare for climate change, and combat desertification. These include for example the expansion of protected areas, monitoring activities and the establishment of biodiversity databases, capacity-building and education as well as institutional and legal reforms

4.7 Arts, culture, and sports

Expenditure on arts, culture, and sports has decreased modestly in recent years, from 0.80 per cent of GDP in 2011 to 0.64 per cent in 2019, based on countries with available data in both periods. More than three-quarters of this spending goes to supporting cultural events and individuals, which has experienced a similar decline. The remaining expenditure is primarily dedicated to sports and physical education facilities and services, which makes up a large proportion of expenditure in Tunisia but a small fraction in the other countries. Promotion of athletes and teams and the other expenditures category combine for only 4 per cent of overall arts, culture, and sports expenditure, although both indicators have increased steadily over time (figure 17).

³⁸ International Renewable Energy Agency (IRENA), 2016

Figure 17 – Arts, culture and sports spending has contracted slightly in several countries



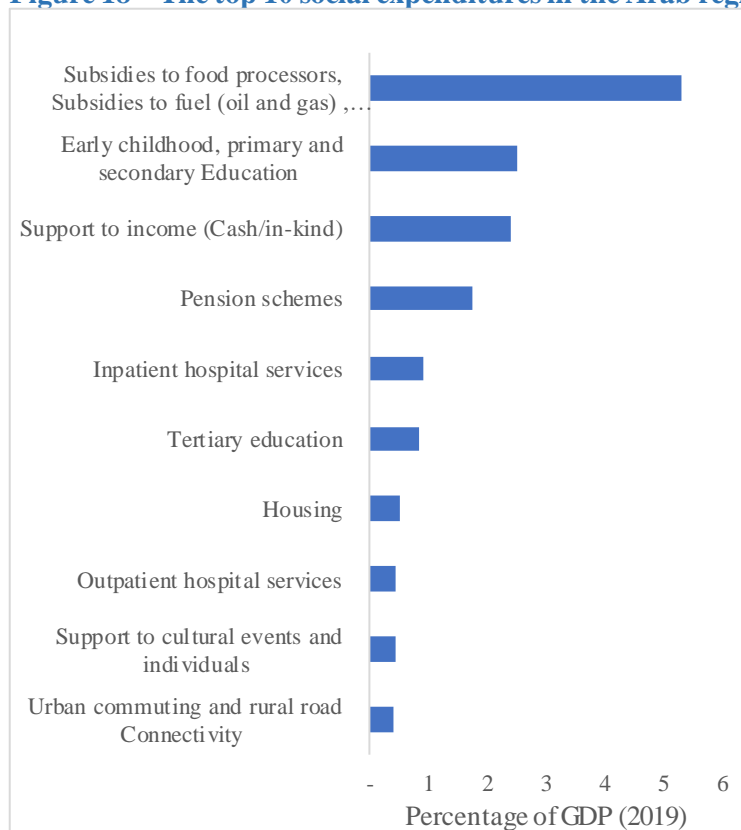
Source : ESCWA Social Expenditure Monitor Dashboard.

Tunisia leads in spending on arts, culture and sports as a share of GDP, especially in support to sports and physical education, which aligns with strategic priorities to encourage young people to develop as productive citizens. Arts and culture featured prominently in the 2016-2020 National Development Plan, which stressed cultural innovation, among other issues. Jordan’s National Vision 2025 also emphasizes promoting cultural development and cultural industries, especially among youth. Programmes include maintaining archaeological sites and museums and spreading the use of the Arabic language.

5. Subsidies top social policy expenditure innovation and investment lag

The Arab region’s often short-term perspective on public social expenditure has undercut investment in human capital and economic transitions. This is evident from a look at the top 10 expenditure categories across the SEM dimensions. A considerable sum goes towards subsidies for energy and food, more than the next two largest spending categories combined. No element of environmental protection or labour market and employment spending makes the top-10 list (figure 18).

Figure 18 – The top 10 social expenditures in the Arab region reveal a short-term perspective, 2019



Source : ESCWA Social Expenditure Monitor Dashboard.

5.1 Few funds go to research and development

One indicator of a lack of a long-term investment vision is the marginal amount spent on research and development on social issues, which is classified under other expenditures for each relevant dimension. This limits prospects for developing new and lasting solutions to development challenges in the region. Arab countries in general are behind their peers in research and development and innovation. On average, high-income Arab economies spend only 0.5 per cent of GDP on research and development while the average is 2 per cent for advanced economies.³⁹

Social-related expenditure on research and development has increased as a share of GDP in Jordan and Oman but decreased in Egypt and Tunisia. Of countries with available data, Tunisia invests most heavily in research and development, despite a decline in expenditure in the last five years. The two largest dimensions for research and development are health and nutrition, which accounted for 27 per cent and 25 per cent of total spending on research and development, respectively. These areas covered issues such as disease and drug control and social protection research on vulnerable populations. Egypt focuses on

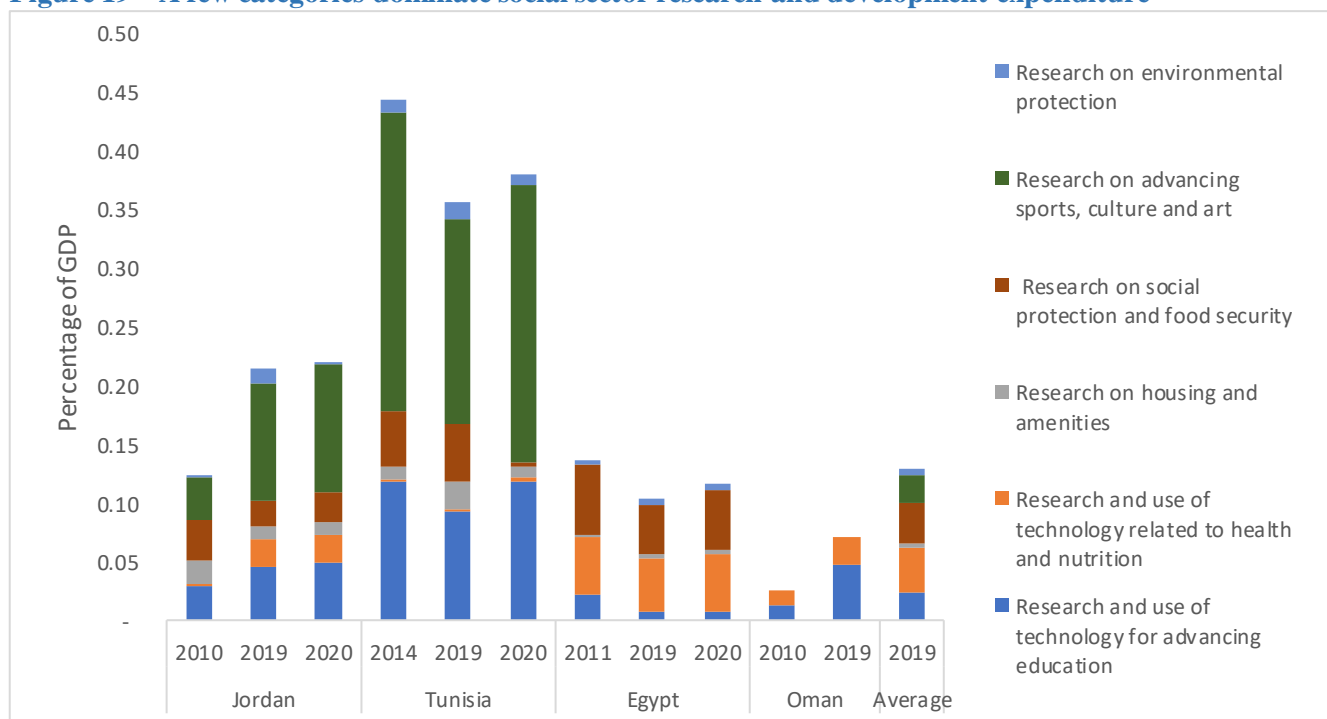
³⁹ IMF, 2019c.

these dimensions and weighs heavily on aggregate calculations due to its large size and population. In percentage terms, Oman has seen the greatest increase in expenditure on research and development but remains behind its peers (figure 19).

The past five years have witnessed significant expansion in higher education, but despite generous public funding for universities, the share for research and development remains low. Consequently, innovative technologies have not developed. Even the region’s most prosperous economies largely rely on purchasing technology from abroad. This suggests a need to prioritize developing endogenous research communities where output is determined by societal demand.⁴⁰

Research and development spending on environmental protection and housing is minimal. Of the four countries with data, Tunisia spends the highest share of GDP on each of these dimensions. Research and development related to employment and the labour market was not included due to comparability issues across countries.

Figure 19 – A few categories dominate social sector research and development expenditure



Source : ESCWA Social Expenditure Monitor Dashboard.

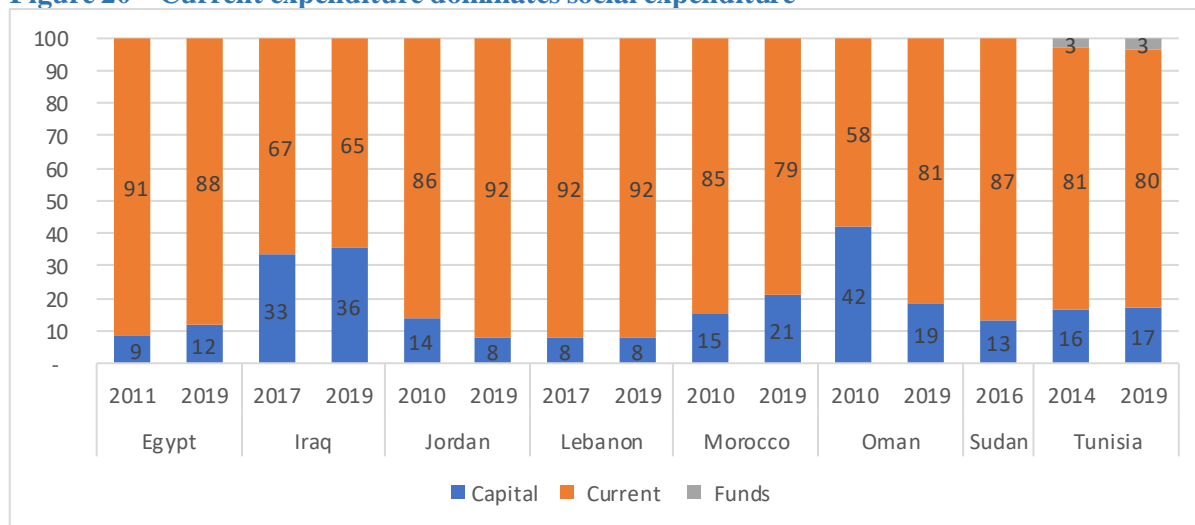
5.2 Current vs Capital Social Expenditure

Another indicator of a limited perspective on the longer-term investment role of social spending is the heavy concentration of current expenditure, which is a structural challenge of the region. On average,

⁴⁰ Lemarchand, 2021

capital expenditure made up only around one fifth of social expenditure in 2019 in countries with SEM data. In 2019, Iraq invested the highest share in capital expenditure at 8.5 per cent of GDP and 35 per cent of total social expenditure. Conversely, Egypt, Jordan and Lebanon saw the highest concentrations of current expenditures, at around 90 per cent of social expenditure. Based on the timeframe for available data, five countries increased capital social expenditure and two had a decline (figure 20).

Figure 20 – Current expenditure dominates social expenditure



Source : ESCWA Social Expenditure Monitor Dashboard.

5.3 Social expenditure and digitization

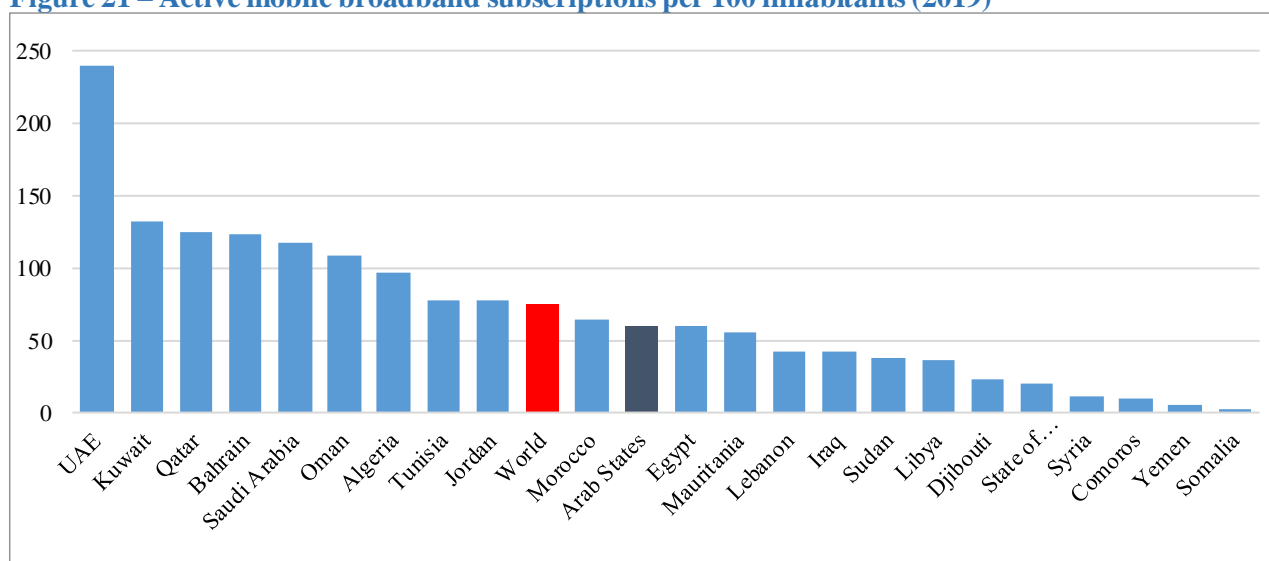
ICT and digital transformation help in reducing poverty, improving health and reducing infant mortality, and stimulating economic growth as well. Arab States have recognized the importance of developing and implementing National Digital Strategies (NDSs) to build an information society linked to socioeconomic development and to achieve the Sustainable Development Goals. Thereby, many Arab States launched NDSs with the following objectives: digitization of public services, making progress towards the use of digitization opportunities, boosting countries' competitiveness, economic growth, and social wellbeing.

Digital transformation is associated with multiple requirements including a well-built infrastructure, high mobile and fixed broadband penetrations, and high-quality internet services. It also requires well-developed applications that would further enable a high usage. Furthermore, digital transformation requires a set of digital skills acquired through education, training, and practice. And finally, prices play an important role in digital transformation as affordability ensures the widespread of the benefits across all segments of the society among as many segments of society as possible. All the above-mentioned requirements must be supported by legal framework and good governance structure⁴¹.

⁴¹ El-Shennawi N., and Gamal Eddine, L. (2021).

The Arab region is one of the most diverse regions in terms of digital transformation: at one side, there are the HIC countries leading the region across many ICT indicators at very advanced levels comparable to those of developed countries; and at the other side, there are the LDCs and FCS countries, dealing with digital development owing mainly to persistent structural impediments, including underlying economic variables, socio-economic structure, ongoing conflicts and the effects of climate change. The ICT development therefore differs considerably among the region’s economies. This is illustrated in Figure 21, which plots average active mobile and fixed broadband subscription rates per 100 inhabitants in the Arab region. The chart shows that broadband subscriptions for the region are lower than the world average, due to the above challenges as well as sector-specific taxes which affect affordability and inhibit investment in infrastructure.

Figure 21 – Active mobile broadband subscriptions per 100 inhabitants (2019)



Source: El-Shennawi N., and GamalEddine, L. (2021).

As most countries across the world struggle with the consequences of the COVID-19 pandemic, the role of ICTs and digital services has become central to economic and societal activity. The COVID-19 crisis emphasizes the importance of digital connectivity to society and has highlighted the impact of the continuing digital divide for nearly 350 million people within the Arab region who are still unconnected. In education, new solutions to distance learning have been developed in Jordan, Morocco and Lebanon. The crisis is showing the potential of digital solutions within the healthcare sector for the prediction and mitigation of infections outbreaks, as evidenced by COVID-19 tracing applications used in Qatar, the UAE, and Saudi Arabia. Additionally, ICT has been critical for supporting workers in the informal sector in countries such as Morocco, where informal workers who lost their jobs through precautionary measures could register digitally and receive a specific amount of money to withdraw from a local bank.

6. Who benefits and how much from social expenditure?

To better understand the distribution of social expenditure, the SEM offers an innovation by classifying expenditures across broad categories of beneficiaries,⁴² namely, children, young people and adults disaggregated by sex; older persons; persons with disabilities, sickness and survivors; socially marginalized people or those at risk of social exclusion, refugees and immigrants; households benefitting from financial or in-kind support; and the community at large. Examining spending by beneficiary showcases considerable differences across Arab countries. There are dramatic variations in the distribution of beneficiaries, most notably for households and families, older persons and the community at large. These variations reflect not only the relative size and the features of national social policies and programmes, but also other contextual factors, in particular the demographic structures.

6.1 Methodology: Beneficiary groups

The indicators in each dimension are designed to map the purpose of expenditure and the beneficiary population, which is an innovation of Social Expenditure Monitor. To enable a better understanding of the distribution of social expenditure, the SEM framework presents expenditures by purpose across main beneficiaries. Those include children, young people and adults disaggregated by sex; older persons; persons with disabilities, sickness and survivors; socially marginalized or at risk of social exclusion, refugees and immigrants; households benefitting from financial or in-kind support; and also the community at large such as expenditure on public goods and services and investments on non-financial assets that are not exclusively for any specific population group. Administrative and Institutional Development category captures administrative expenditures needed to provide the social service as well as the supervision, formulation and implementation of related policies.

Households and families benefit from various forms of social protection spending such as support to income, support to housing, support to families, subsidies to food processors, subsidies to fuel, subsidies to electricity, and subsidies and other support to farms. They are the largest beneficiaries of social expenditure, accounting for 16 per cent of GDP in 2019 and 42 per cent of total social expenditure. Support to households and families increased from 2011 to 2013, reaching a peak of 21 per cent of GDP, but has since generally trended downwards as the value of subsidy expenditures has declined.

Children represent the main beneficiary from education expenditures, particularly from spending on early childhood, primary and secondary education. They can also benefit from social protection spending in the form of support to children. Largely due to public education systems, children are the second-largest beneficiary of social expenditure among the selected countries. Social expenditure specifically supporting children accounted for 4.8 per cent of GDP and 13 per cent of total social expenditure in 2019.

⁴² The classification of expenditure by beneficiary population is based on tagging the budget line to the main beneficiary that benefits directly from the expenditure policy. Certain expenditures may indirectly benefit different population age groups within and across households or within and across communities but such disaggregated data are unavailable to undertake equity analysis.

Young persons and Adults benefit from various Government expenditures. They could benefit from spending on tertiary education; education for adults; post-secondary skill training; training and skills upgrading, including on technology (on the job); unemployment benefits; promoting individuals and organizations in art and cultural fields; promoting athletes and teams.

Older persons benefit primarily from spending on social protection as they represent the main benefiting parties of Government's pension schemes. In total, social spending on older persons amounted to 1.6 per cent of GDP in the year 2019. As the region's demographics evolve and populations include a greater proportion of older persons, a crucial challenge becomes how to support increasingly aging populations without compromising contributions to other groups.

Specific vulnerable groups include persons with disabilities, sickness, and survivors, as well as socially marginalized persons or those at risk of social exclusion, refugees, and immigrants. Public expenditures targeted towards these specific vulnerable population groups depend on the country and occur in the form of education, health, and social protection spending.

The community at large benefits from the spending that is not exclusive to a particular population group but the whole community. The spending generally represents investments in non-financial assets and public goods and services, which constitutes those spending on housing and community amenity, and environmental protection.

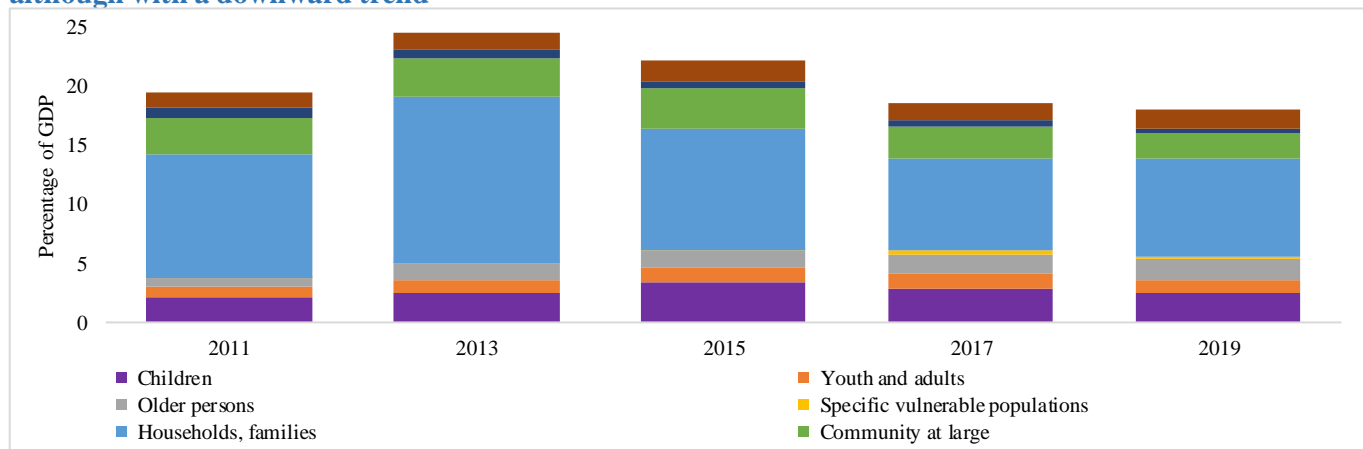
Institutional development and administrative support are the only benefiting parties of the administrative and institutional support spending that constitute each of the 7 SEM dimensions.

6.2 Support to households and families dominates but is trending down

Households and families benefit from various social policy spending such as social assistance; subsidies for food, fuel and electricity; and other support to farms. A large share of social expenditure is classified as targeted at households and families⁴³; on average, 16 per cent of GDP and 42 per cent of total social expenditure in 2019. Support to households and families increased from 2011 to 2013, reaching a peak of 14 per cent of GDP, but has since generally trended downwards as the value of subsidy expenditures has declined (figure 22). In terms of the distribution of social expenditure, the share accruing to households and families has declined from a peak of 57 per cent in 2013 to 42 per cent in 2019⁷². A lack of clear targeting mechanisms and reporting is a barrier to identifying types of households or actual beneficiaries within households.

⁴³ In the context of public social expenditures, households and families are used interchangeably due to lack of a dequate distinction in policy targets.

Figure 22 – On average, a large share of social expenditure is targeted at households and families, although with a downward trend

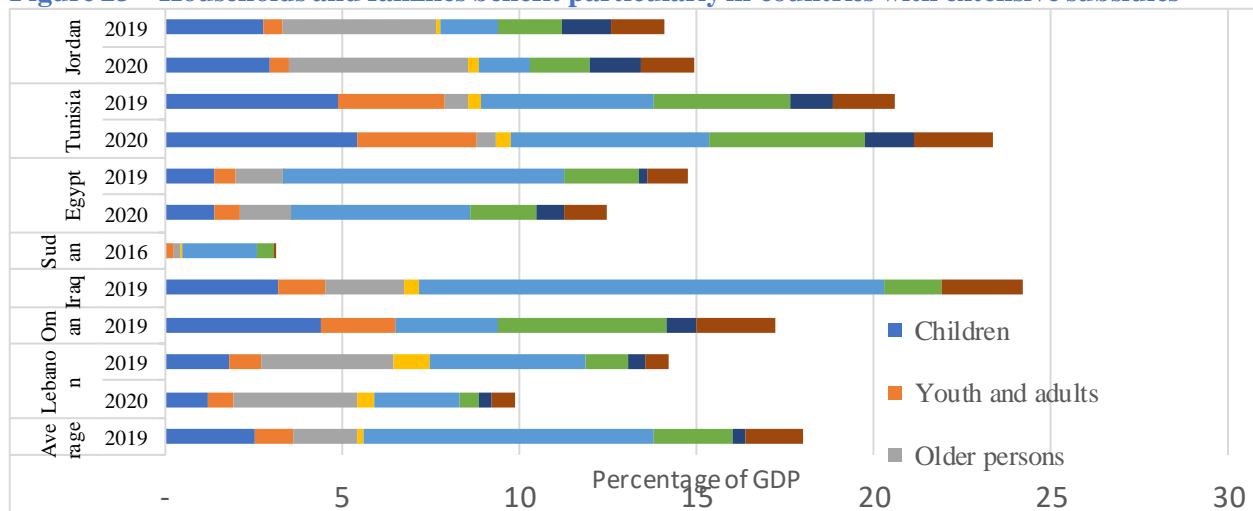


Source : ESCWA Social Expenditure Monitor Dashboard.

Note: Weighted average of eight countries, as per data available for the SEM. Multiple population groups are a category where social programmes benefit more than one population category and data are not disaggregated.

In countries with extensive subsidy systems, such as Egypt, Iraq and the Sudan, support to households and families constitutes a majority of social expenditure. More than two thirds of the social expenditure of the Sudan, or about 2 per cent of GDP, goes to households and families while the share is 54 per cent or 8 per cent and 13 per cent of GDP respectively in Egypt and Iraq (figure 23). No other country devoted more than one quarter of social expenditure to households and families (figure 23). The overall pattern suggests that subsidies are a substantive aspect of spending on households and families, while much needed support, such as social assistance, is significantly lower.

Figure 23 – Households and families benefit particularly in countries with extensive subsidies



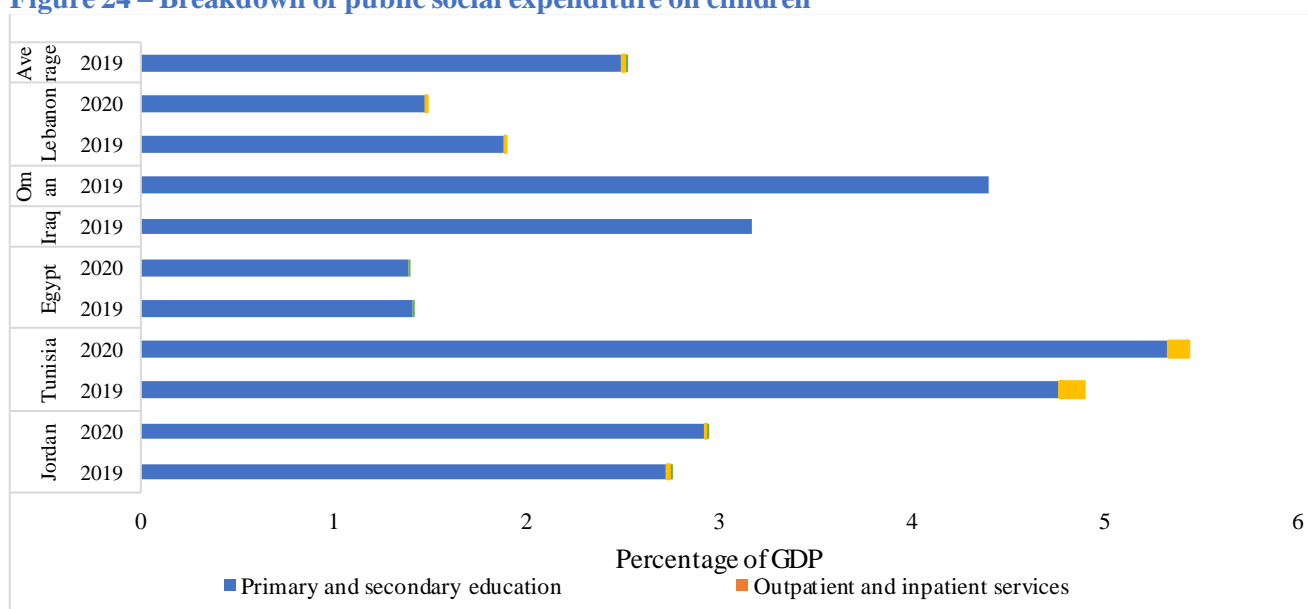
Source: ESCWA Social Expenditure Monitor Dashboard.

Note: Multiple population groups are a category where social programmes benefit more than one population category and data are not disaggregated.

6.3 Varying shares to children, youth and the elderly

Children represent the main beneficiary of education expenditures, particularly from public education systems. They also benefit from certain social protection spending targeted at them.⁴⁴ Public social expenditure specifically supporting children, on average, accounted for 2.5 per cent of GDP and 14 per cent of total social expenditure in 2019 (figure 24). The bulk of social spending targeted at children is represented by public expenditure on primary and secondary education. However, these remain below the international benchmarks. Across the region, social assistance expenditure targeted at children is low. For instance, the proportion of children or mothers with new-borns covered by social assistance programmes is among the lowest in the world.⁴⁵

Figure 24 – Breakdown of public social expenditure on children

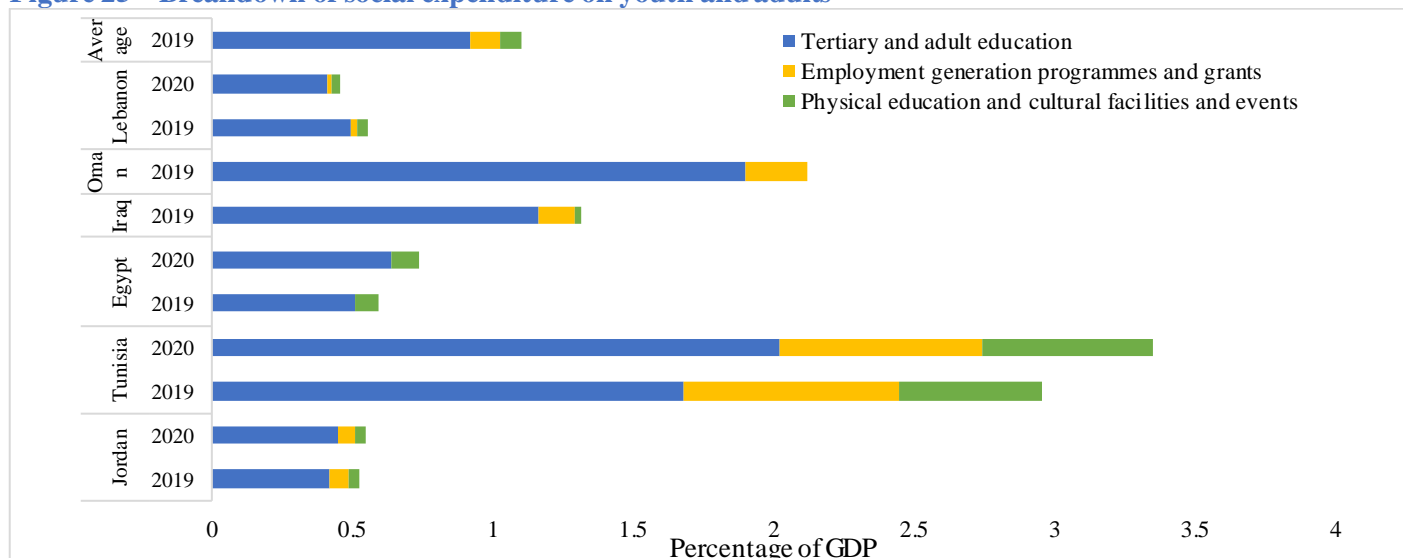


Based on the most recent data, education expenditure on youth and adults made up 1 per cent of GDP and 5.5 per cent of social expenditure; a majority of spending went to tertiary education (figure 25). The second-largest expenditure targeting youth and adults is employment generation programmes and grants, which saw \$1.1 billion in support in aggregate for the countries, approximately \$800 million of which came from Tunisia.

⁴⁴ Children may profit from benefits to households and families but intrahousehold distribution of benefits is not available, which makes it difficult to disaggregate certain benefits to children exclusively.

⁴⁵ ILO, 2021.

Figure 25 – Breakdown of social expenditure on youth and adults



Source: ESCWA Social Expenditure Monitor Dashboard.

Older persons benefit primarily from spending on social protection as they represent the main beneficiaries of Government pension schemes. In total, social spending on older persons amounted to 1.6 per cent of GDP in 2019. Lebanon and Jordan, which have large Government-funded pension schemes, allocate 35 per cent and 34 per cent of social expenditure, respectively, to older persons. All other countries spend less than 10 per cent on older persons. Oman does not have any social support specifically for older persons under the SEM classification. As the region’s demographics evolve and populations include greater shares of older persons, a crucial challenge becomes how to support ageing populations without compromising contributions to other groups.

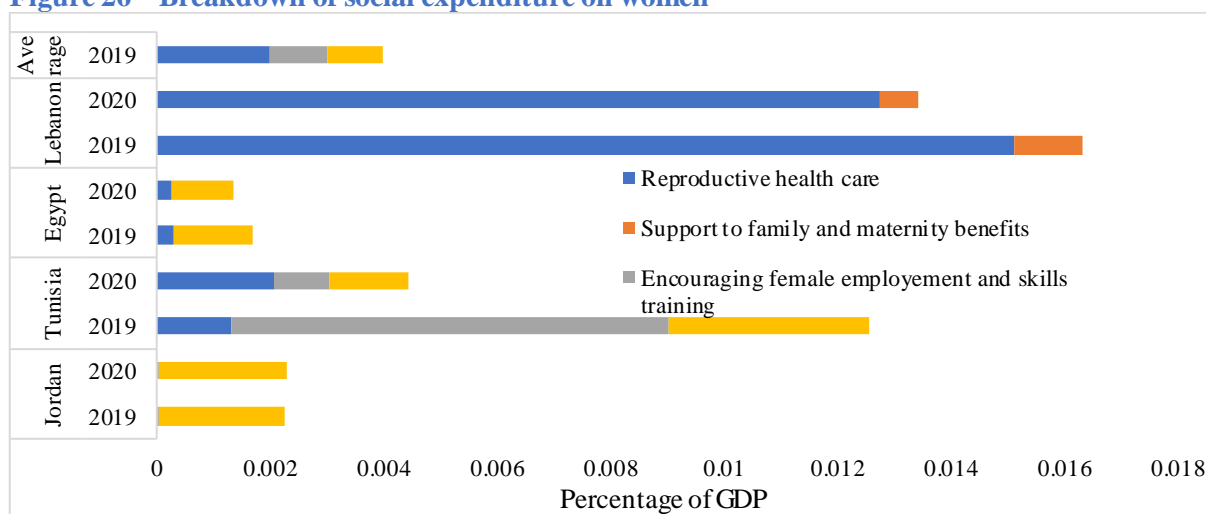
6.4 Spending targeted to women is shockingly low

Expenditures on programmes and services targeted to women are almost non-existent, accounting for only \$10 million in 2019, less than 0.01 per cent of total social expenditure.⁴⁶ Only four of the eight countries had disaggregated data to show expenditure targeted specifically towards supporting women. In each of the last two years, roughly 70 per cent of spending on women has been related to health and nutrition, comprising expenditures on reproductive health care, and other health-related programmes including combating discrimination against women and gender based violence, which inflicts harm on women, girls, men and boys. Spending on social protection programmes and labour market programmes targeting women is relatively low.

⁴⁶ Expenditure refers to programmes targeted to women only. Women may also benefit from expenditure on programmes related to youth and the elderly, and on households and families

In Lebanon, which has a relatively higher share of expenditures targeted to women than other countries in the sample, the spending is mainly through reproductive health care and support through family and maternity benefits (figure 26). Recently, Tunisia began investing in labour market programmes for women. Prior to 2017, this dimension represented less than 3 per cent of total support to women but in the last two years, the proportion has approached 30 per cent. Labour market support to women mainly covers spending on programmes encouraging female employment and promoting equal opportunities for women in higher positions through developing national plans for economic and social empowerment of women, specifically those in rural areas. In 2020, expenditure on labour market programmes fell in Tunisia primarily due to the COVID-19 pandemic.

Figure 26 – Breakdown of social expenditure on women



Source: ESCWA Social Expenditure Monitor Dashboard.

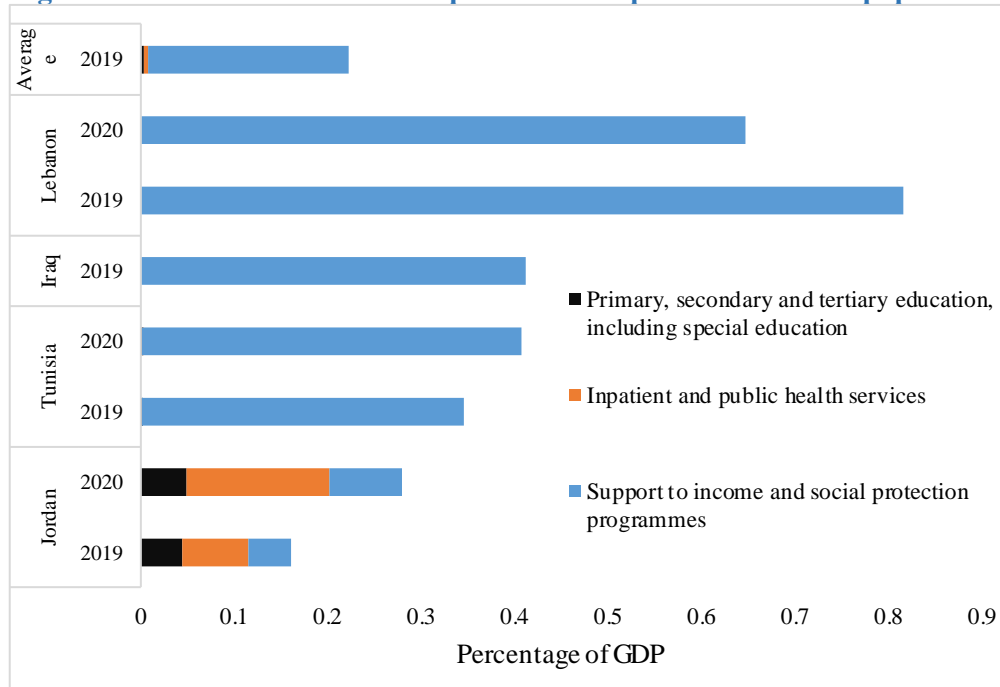
6.5 Vulnerable populations remain on the fiscal margins

Vulnerable populations include persons with disabilities, sickness and survivors, as well as socially marginalized persons or those at risk of social exclusion, refugees and immigrants. Expenditure on these groups generally constitutes less than half a percentage point of GDP and entails education, health and social protection spending. For several countries, well disaggregated expenditure data are not available under the SEM classification to assess expenditure benefitting socially marginalized persons.

In Jordan, expenditure on vulnerable populations is roughly equal across health and nutrition, social protection and education. In all other countries, support occurs only through social protection. During the pandemic, several countries extended support through increased social protection, such as Iraq and Jordan. The latter also expanded public health services. It is important to increase expenditure on vulnerable populations. Equally critical is providing a comprehensive and well-organized array of programmes for education, social protection and health that uphold their rights and meet their needs

(figure 27). Conflict in the region has also created an additional unexpected pressure on national budgets in several countries, such as Jordan and Lebanon, to provide health and schooling for the refugees.

Figure 27 – Breakdown of social expenditure on specific vulnerable populations



Source: ESCWA Social Expenditure Monitor Dashboard.

6.6 A wide range for the community at large

The community at large benefits from spending that is not exclusive to a particular population group. It generally includes investments in non-financial assets and public goods and services and constitutes spending on housing and community amenities as well as environmental protection. Expenditures for the community at large range from 10.5 per cent of social expenditure (1.2 per cent of GDP) in Lebanon to 27 per cent of social expenditure (4.8 per cent of GDP) in Oman. Lebanon’s low spending is in part due to the structure of its health-care system, which depends heavily on private health providers. The figures might be changing quickly, given the economic hardship situation that the people are facing in Lebanon.

7. Public social expenditure in the context of COVID-19: How Arab Governments have responded?

Most Arab States have announced social protection policy measures across a wide range of support covering social assistance, social insurance, loans and tax benefits, labour market support, and health related support, as mapped by the COVID-19 Stimulus Tracker (*Table 5*). Cash transfer, in-kind transfers

of food vouchers and waiver of utility bills are top measures of social assistance in the Arab region. Most countries of the region have announced social assistance policy measures to provide temporary income to households and individuals that became vulnerable during the pandemic. The new schemes of cash transfers often-targeted individuals and groups who were previously excluded or marginalised, such as informal sector workers in Morocco, persons with disability and homeless people in Tunisia, and women aged 65 and above in nursing homes under the umbrella of social protection of elderly women in Egypt. While in-kind vouchers were one of the most employed policy measures worldwide, the region relied more on waivers of utility bills. To protect the food consumption of affected households, several countries in the region have relied on support of international institutions such as WFP to deliver food baskets as in Libya. WFP started using food e-vouchers in Libya with the onset of the COVID-19 pandemic earlier last year to help reduce crowding and lines.

While policy measures are mainly targeted to individuals and families, the targeting mechanism is often not clear from the announcement whether it is benefitting the poorest and the most vulnerable. The success of implementing social protection programmes is not only limited to the expansion or delivery of support, but also to the effectiveness of the mechanism; this is why many countries relied on digital platforms to deliver their support to vulnerable people as elderly and persons with disabilities in order to protect them against the spread of the virus. As in Morocco, households benefiting from the non-contributory health insurance (RAMED) received a mobile payment of DRH 800-1200 (USD 80-120) in April, depending on households' composition. Due to pandemic, schools, universities, and companies switched to e-learning and telecommuting methods to keep their staff and student safe and abide by the restrictions of their Governments during lockdowns.

Ministries of Education across the region provided some basic educational methods for students to use due to the coronavirus pandemic, including: educational material offered via TV channels; live broadcasting platform for virtual classes; as well as access to online platforms and knowledge Banks. As well, to make the access to these platforms easier, some countries as Jordan, developed one website to contain all platforms created during the pandemic: All online platforms launched during the COVID-19 crisis in the Kingdom can be accessed from a single website "<https://one.gov.jo>", according to Mawdoo3, the company developing the website and the platforms.

In the healthcare system, launching of digital platforms to address awareness about the virus, testing and isolation was common in the different countries of the region. As well, trainings and videos were circulated through online platforms to support women who are pregnant, vulnerable people to the virus, and to victims of gender-based violence. Morocco has developed a website to give access to mothers breastfeeding during COVID-19 to full guidance. In Jordan, psychosocial support was provided to survivors of gender-based violence by social workers who are only allowed to contact the survivors if they are managers of the cases using specific codes to protect them while they still at home.

Many countries in the region have announced policy measures related to health insurance. Some countries extended the coverage of the scheme as in Sudan, other countries renewed health insurance card for families for free as in Saudi Arabia. Unequal access to health services have made the impacts of COVID-19 highly unequal. Waiving fees and subsidizing health insurance are two measures to ensure that the poorest and most vulnerable can get access to healthcare especially during crisis like this.

Several policy measures were announced under social assistance, social insurance and labour markets policy categories to support female headed households and women employees (*Figures 27 and 28*). The most employed gender-responsive policy measure in the region is paid leave or work from home for women employees in order to take care of their families, while simultaneously continuing to receive their monthly salaries as in Bahrain, Egypt, Sudan and United Arab of Emirates. As for care services/gender-responsive measures, these were enhanced through cash transfer mechanisms as in Mauritania, an allocation of \$135 M target 30,000 households headed by women and other vulnerable population under the National Solidarity Fund for the Fight against Coronavirus.

Pandemic-related unemployment benefits are mainly limited to people laid off from formal sector employment, as why the coverage of this support was limited to people registered in official platforms (Figure 29). In Egypt, informal workers who registered with the Ministry of Manpower (Egypt), or workers who became temporarily unemployed in Tunisia for example could have access to this kind of support. In Palestine, the Ministry of Labour provided cash assistance to COVID-affected workers as a temporary form of unemployment support; as it is the case in most countries in the region where lack of appropriate preparedness is a challenge for implementing social insurance policies, especially for the informal workers, their Governments have resorted to social assistance measures rather than social insurance.

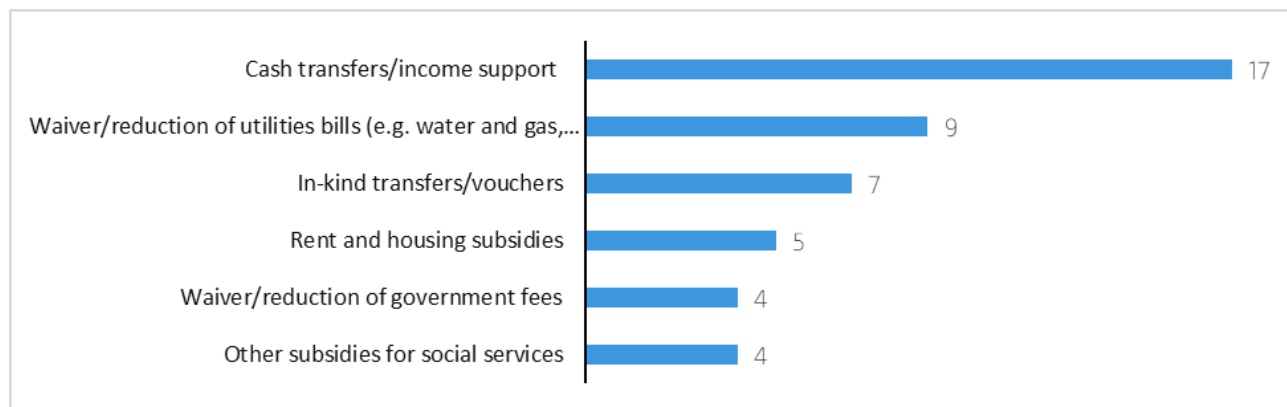
Overall, adequacy of policy support is a potential concern especially for the vulnerable groups who are hit hard, given the low amount of fiscal stimulus. Lack of adequate fiscal space is a major challenge for extending social protection, especially for the middle-income countries and the LDCs. There are lessons to learn from across the world, especially with regard to extending social insurance and to supporting employment in private sector/SMEs or extending unemployment benefits.

Table 5 – Government fiscal policy support in the Arab region

Category	# of Policies	Amount (B USD)	per cent of GDP
Social Assistance	106	11.93	0.50
Loan and tax benefit	17	0	0
Social Insurance	27	2.63	0.11
Labour Markets	59	2.61	0.11
Health related support	112	14.93	0.62
Financial policy support	108	28.39	1.18
General policy support	106	25.73	1.07
Multiple Policies	7	8.94	0.37
Total	542	95.16	3.95

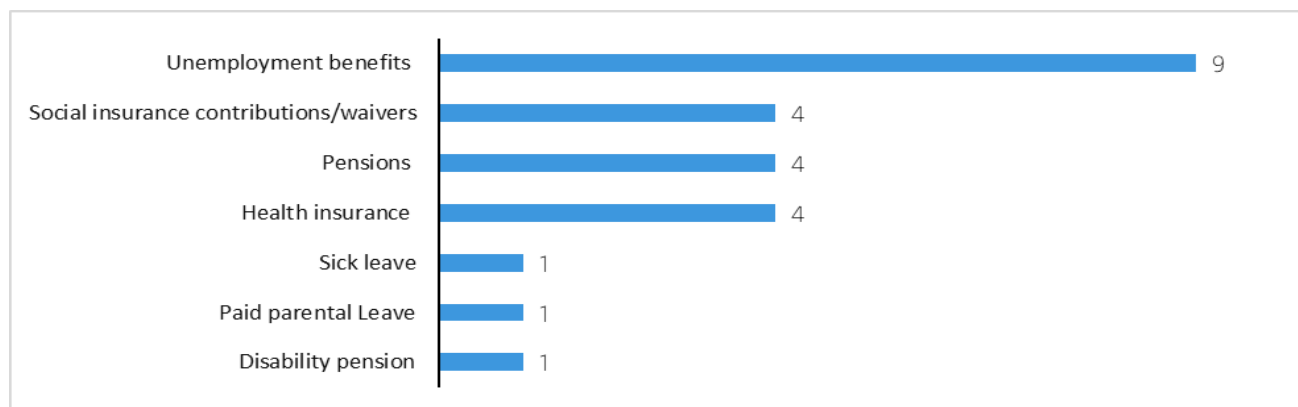
Source: United Nations COVID-19 Stimulus Tracker.

Figure 27 – Number of countries in the Arab region with social assistance measures



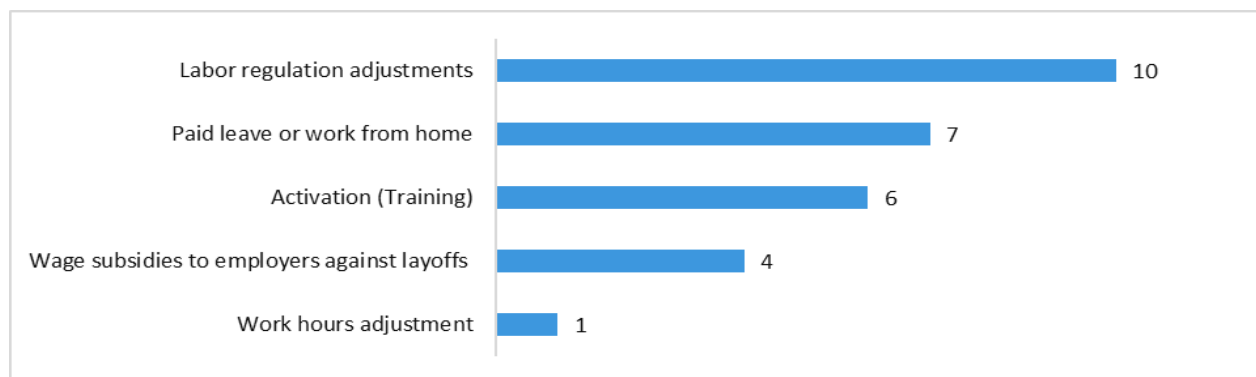
Source: United Nations COVID-19 Stimulus Tracker.

Figure 28 – Number of countries in the Arab region with social insurance measures



Source: United Nations COVID-19 Stimulus Tracker.

Figure 29 – Number of countries in the Arab region with labour markets measures



Source: United Nations COVID-19 Stimulus Tracker.

8. Spending choices fall short

Achieving the SDGs and productive, just societies and economies depends on public social expenditure. Sufficient investment protects the poorest and most vulnerable, builds human capital and infrastructure to drive growth, and corrects imbalances in society. The effectiveness of social expenditure, however, depends on informed public expenditure choices grounded in comprehensive monitoring and analysis. The SEM presents a holistic assessment of public social expenditure that goes beyond the traditional emphasis on health, education and social protection to encompass the array of social services necessary to realize the SDGs. The Arab region is lagging on public social expenditure compared to other parts of the world. While data limitations meant that the SEM could only examine eight countries, this still revealed several striking patterns. Social protection, subsidies and support to farms is the largest dimension of social expenditure, followed at a distance by education. Very little spending goes to labour market support; the arts, culture and sports; or environmental protection. Employment generation programmes, incentives for business start-ups, social insurance, early childhood development, and social-related research and development get short shrift in budgets.

These findings are concerning, because the level and the right mix of social expenditures determine human capital as well as links, such as between education and productive sectors of the economy, that determine economic dynamism and inclusion. Further, with 80 per cent of social expenditure in the region going to current expenditures on wages and salaries, and only 20 per cent on capital expenditures, prospects to dramatically enhance productivity are limited. The region already struggles with stagnant economic and social structures and will continue to do so unless it invests in a course correction.

9. Key Findings

- On average, public social expenditure in the Arab region, as a share of GDP, is lower than the global average. Arab Governments devote about 8 per cent of GDP to health, education and social protection, compared with the world's average of 20 per cent. Total social expenditure, capturing the seven dimensions of the SEM, varies across Arab countries between 10 to 20 per cent of GDP.
- SEM shows shortfalls in critical areas of social spending that build capacity among young people, promote start-ups through labour market support, generate jobs, incentivize creativity in arts, culture and sports, and build resilience through greening and protecting the environment. In addition, public budgets often lack a clear framework for tagging budget lines to beneficiaries, which risks progress on critical SDG targets including promoting gender equality, improving social security coverage, and fostering inclusive growth.
- Social spending is dominated by current expenditures, limiting prospects for capital spending. For countries with available data, SEM finds that about 80 per cent of public social expenditure is current expenditures, mainly in the areas of wages and salaries and public transfers.

Governments need to steer resources towards improving capital spending in social policy areas to generate jobs, encourage private sector investments, and foster productivity.

- It is necessary to reprioritize public budgets and steer allocations to critical social policy areas and the neediest populations. Governments should therefore consider a balanced mix of expenditures. In many cases, this will involve improved targeting of public transfers to social protection programmes addressing poverty and vulnerabilities and investing in human capital that drives greater productivity and economic growth.

Annex I

Figure 1 – Predicted probability of degree of severe food deprivation, by wealth decile

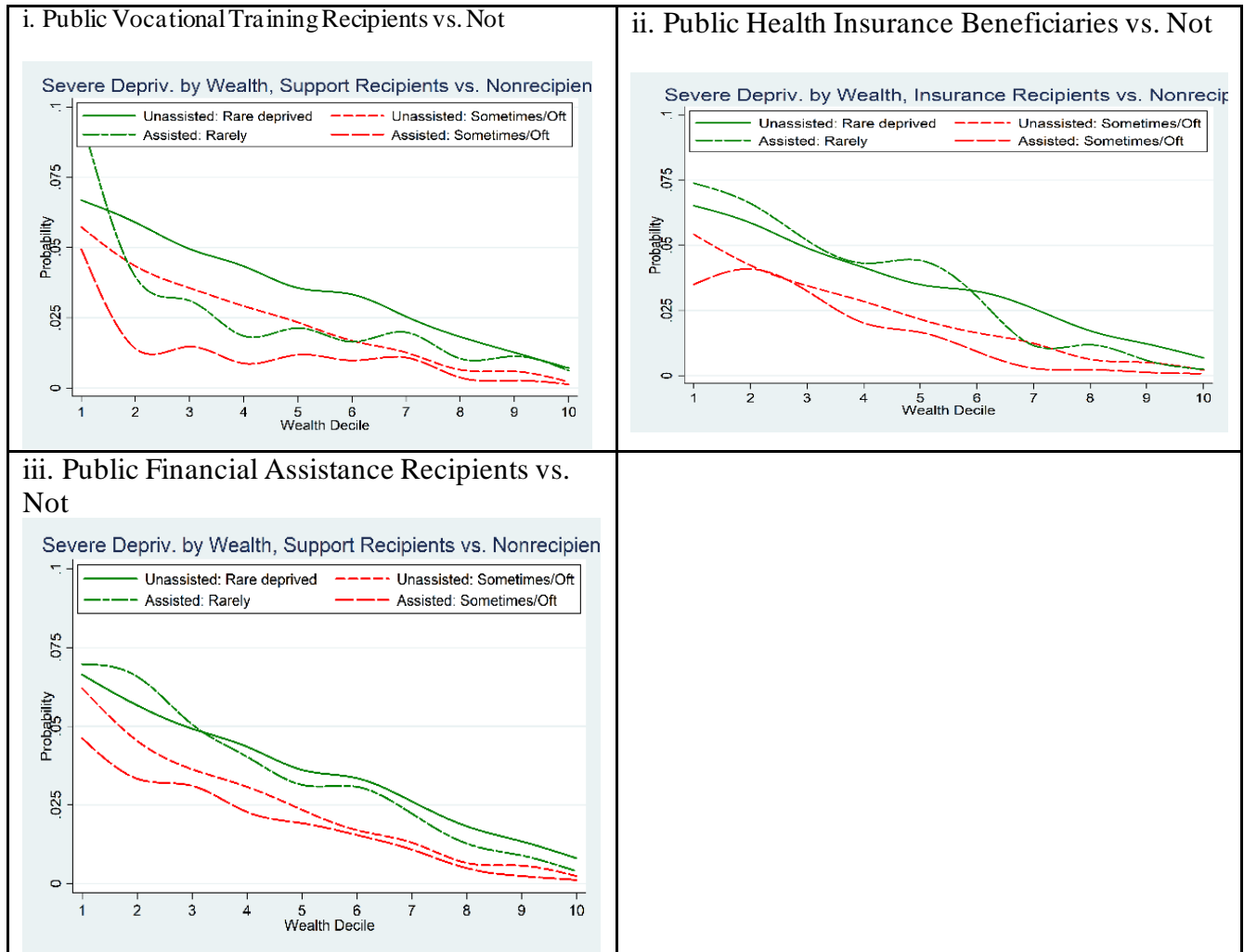
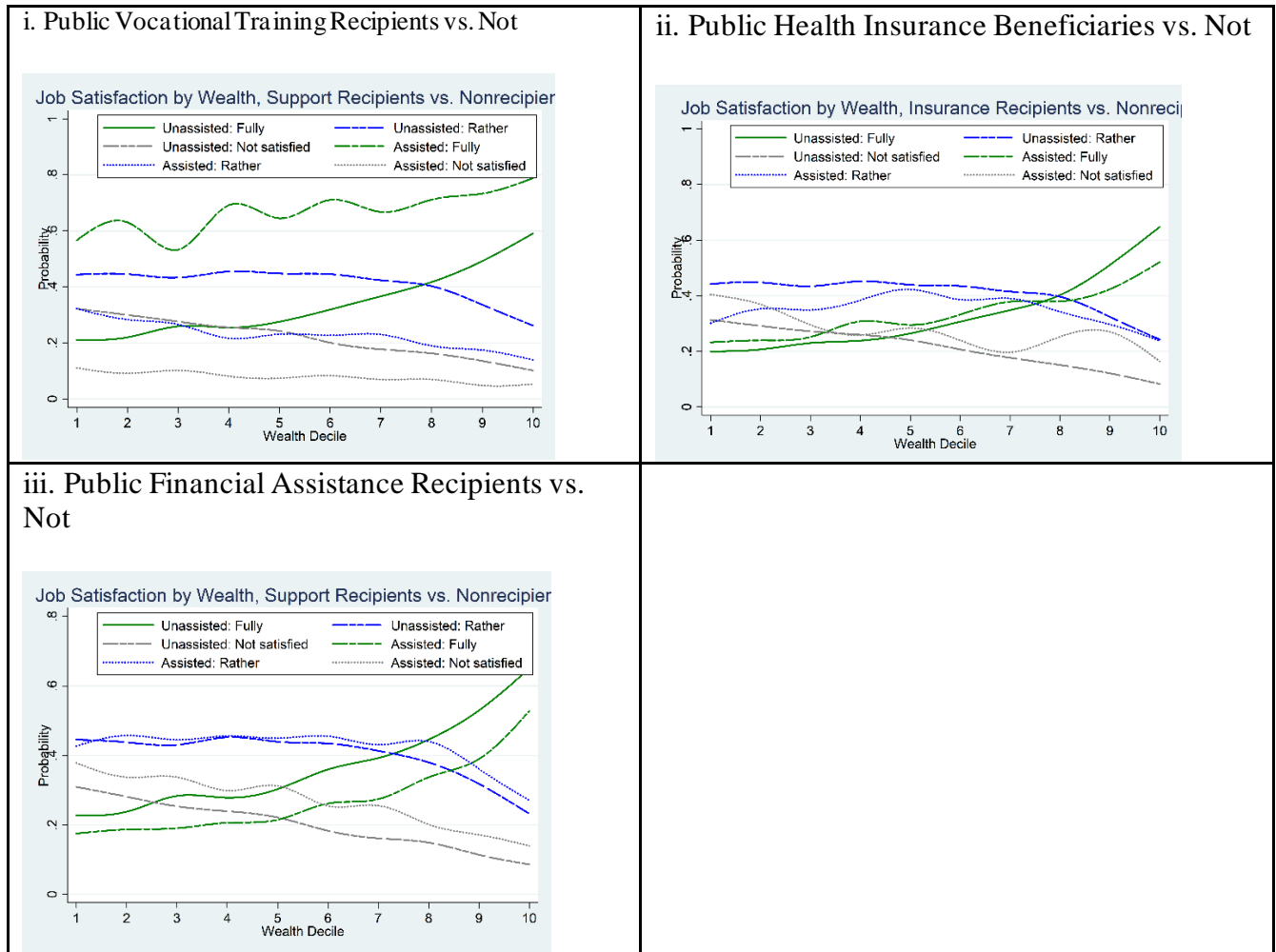


Figure 2 – Predicted probability of degree of job satisfaction, by wealth decile



References

Bahrain (2018). The Kingdom of Bahrain First Voluntary National Review on the Implementation of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals. Available at https://sustainabledevelopment.un.org/content/documents/2132920181231_Bahrain_VNR_English_translation.pdf.

Economic and Social Commission for Western Asia (ESCWA) (n.d.a). Social Expenditure Monitor dashboard. Beirut.

_____ (n.d.b). Arab SMEs Portal. Beirut. Available at <https://smeportal.unescwa.org/#gsc.tab=0>.

_____ (2014). Beyond Governance and Conflict: Measuring the impact of the neighborhood effect in the Arab region. Beirut

_____ (2017a). Rethinking Fiscal Policy for the Arab Region. Beirut. Available at www.unescwa.org/sites/default/files/pubs/pdf/rethinking-fiscal-policy-arab-region-english_1.pdf.

_____ (2017b). Social Housing in the Arab Region: An Overview of Policies for Low-Income Households' Access to Adequate Housing. Beirut. Available at https://archive.unescwa.org/sites/www.unescwa.org/files/page_attachments/social-housing-arab-region-en.pdf.

_____ (2019). Social Expenditure Monitor for Arab States: A Tool to Support Budgeting and Fiscal Policy Reform. E/ESCWA/EC.6/2019/8/Rev.1. Beirut. Available at https://www.unescwa.org/sites/default/files/pubs/pdf/social_expenditure_monitor_for_arab_states_eng.pdf

_____ (2020). Assessment of Statistics in Arab States for the Social Expenditure Monitor

_____ (2021a). Liquidity Shortage and Debt: Obstacle to Inclusive Recovery in the Arab Region. Policy brief. Beirut

Egypt, Ministry of Planning and Economic Development (2021). Egypt's 2021 Voluntary National Review. Available at https://sustainabledevelopment.un.org/content/documents/279512021_VNR_Report_Egypt.pdf.

Egypt, Ministry of Finance (n. d). State General Budget. Available at <https://mof.gov.eg/en/>

Hlasny, V. (2021). Social Assistance Programmes and Individuals' Wellbeing in Egypt. Beirut: ESCWA.

Intergovernmental Panel on Climate Change (IPCC) (2022). Climate Change 2022: Impacts, Adaptation and Vulnerability. Working Group II Contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Available at https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_FinalDraft_FullReport.pdf.

International Labour Organization (ILO) (n.d.b). World Social Protection Data Dashboards. Available at <https://www.social-protection.org/gimi/WSPDB.action?id=32>.

_____ (2021). World Social Protection Report 2020-22: Regional Companion Report for the Middle East and North Africa Region. Geneva: ILO.

International Monetary Fund (IMF) (2019a). Government Finance Statistics. Available at <https://data.imf.org/?sk=388dfa60-1d26-4ade-b505-a05a558d9a42>

_____ (2019b). Fiscal Policy and Development: Human, Social, and Physical Investments for the SDGs. Staff Discussion Notes No. 2019/003. Washington, D.C.

_____ (2019c). Enhancing the Role of SMEs in the Arab World – Some Key Considerations. Washington, D.C. Available at <https://www.imf.org/~media/Files/Publications/PP/2019/PPEA2019040.ashx#:~:text=Increasing%20SMEs'%20access%20to%20finance,the%20Arab%20World%20by%202025>.

_____ (2020a). Regional Economic Outlook Update. Washington, D.C. Available at www.imf.org/en/Publications/REO/MECA/%20Issues/2020/07/13/regional-economic-outlook-update-menap-cca#report

_____ (2020b). Government Finance Statistics Database. Washington, D.C. Available at <https://data.imf.org/?sk=a0867067-d23c-4ebc-ad23-d3b015045405>.

International Renewable Energy Agency (IRENA) (2016). Renewable Energy in the Arab Region: Overview and Developments. Abu-Dhabi. Available at <https://www.irena.org/publications/2016/Dec/Renewable-Energy-in-the-Arab-Region-Overview-of-developments>.

Iraq, Ministry of Finance, (n.d.). Budget Department. Available at <http://www.mof.gov.iq/Pages/MainMOF.aspx>

Jordan, General Budget Department (n. d). General Budget Law. Available at <http://gbd.gov.jo/en/releases/law-min>.

Kuwait, Supreme Council for Planning and Development (2019). Kuwait Voluntary National Review 2019. Report on the Implementation of the 2030 Agenda to the UN High-Level Political Forum on Sustainable Development. Available at https://sustainabledevelopment.un.org/content/documents/23384Kuwait_VNR_FINAL.PDF.

Lebanon, Ministry of Finance (n.d.). Annual Budget Documents and Process. Available at <http://www.finance.gov.lb/en-us/Finance/BI/ABDP>

Lemarchand, G. (2021). Toolkit for Completing the GOàSPIN Surveys: Guidelines for the preparation of the inventory of SETI operational policy instruments; inventory of the SETI legal instruments; and inventory of SETI institutional ecosystem. UNESCO Working Paper 2021-02. Paris: UNESCO.

Morocco, Ministry of Economy and Finance (n.d.). State Budget. Available at <https://www.finances.gov.ma/en/Activities/Pages/State-Budget.aspx>.

Organisation for Economic Co-operation and Development (OECD) (2019). SOCX Manual 2019 Edition: A Guide to the OECD Social Expenditure Database. Paris.

OECD, World Health Organization (WHO) and Eurostat (2011). A System of Health Accounts: 2011 Edition. Paris: OECD Publishing. Available at <https://doi.org/10.1787/9789264116016-en.t>

Oman, Ministry of Finance (n.d.). Yearly Budget. Available at <https://www.mof.gov.om/YearlyBudget>

Sarangi, N., and J. von Bonin (2017). Fiscal Policy on Public Social Spending and Human Development in Arab Countries. E/ESCWA/EDID/2017/Technical paper.13. Beirut: ESCWA. Available at https://archive.unescwa.org/sites/www.unescwa.org/files/page_attachments/fiscal_policy_on_public_social_spending_and_human_development_in_arab_countries_0.pdf.

Sarangi, N., and others (2021). Public Social Expenditure Landscape in Arab States: Concept, Measure and Trends. E/ESCWA/CL3.SEP/2021/3/TP.3. Beirut

Saudi Arabia (2018). Toward Saudi Arabia's Sustainable Tomorrow: 1st Voluntary National Review of Kingdom of Saudi Arabia. Available at <https://arabsdgs.unescwa.org/en/read-digital-library-collaborate-voluntary-national-reports-arab-vnrs/towards-saudi-arabias>

El-Shennawi, N., and L. Gamal Eddine (2021). Social Expenditure and Digitization in the Arab Region. Beirut: ESCWA.

The Sudan, Ministry of Finance and Economic Planning (n.d.). Budget Files. Available at <http://mof.gov.sd/en/index.php>

Tunisia, Ministry of Finance (n.d.). Finance Law. Available at <http://www.finances.gov.tn/fr>

United Nations (n.d.). COVID-19 Stimulus Tracker. Global Observatory on Social Protection and Economic Responses. Data from 2020 through mid-2021. Available at <https://tracker.unescwa.org/>.

United Nations Educational, Scientific and Cultural Organization (UNESCO) (2011). International Standard Classification of Education (ISCED). Institute of Statistics. Available at <http://uis.unesco.org/en/topic/international-standard-classification-education-isced>.

_____ (2021). Right to Pre-primary Education: A Global Study. Paris. Available at <https://unesdoc.unesco.org/ark:/48223/pf0000375332>.

United Nations High Commissioner for Refugees (UNHCR) (n.d.). GENDER-BASED VIOLENCE TOOLKIT. Available at https://www.unhcr.org/gbv-toolkit/_test/

United Nations Sustainable Development Group (2020). The Impact of COVID-19 on the Arab Region: An Opportunity to Build Back Better. Policy Brief. Available at <https://unsdg.un.org/resources/policy-brief-impact-covid-19-arabregion-opportunity-build-back-better>.



