Introduction

Throughout 2024, the Arab region saw diverging fortunes. Conflict, war and occupation continued to affect a third of the countries in the region. Humanitarian emergencies and the risk of famine became more severe, and the risk of a regional war became greater.

Temperatures in the Arab region continued to increase above the global average, with some countries experiencing deadly heatwaves. Prolonged droughts in several countries significantly reduced agricultural production, severely affecting overall economic activity. Rising sea levels pose a growing threat to the region, increasing the risk of disease outbreaks and further diminishing an already limited water supply. These climate change impacts are accompanied by substantial economic costs and financial implications.

On the economic front, some countries continued to struggle with economic instability, while others made gains. Rich countries have continued to benefit from high oil prices, which are expected to last into 2025. The price of oil averaged $81 throughout 2024.

Moreover, many Gulf Cooperation Council (GCC) countries have used their natural resource wealth to accelerate economic diversification by fostering sectors such as tourism, the digital economy, renewable energy, logistics and trade, and creative industries and culture. In parallel, they are creating an enabling environment to attract foreign investment, enhance the competitiveness of their private sectors and generate job opportunities for their citizens. These efforts are intended to drive sustainable economic growth, reduce societal inequality and ensure equitable development over the medium to long term.

By contrast, several other countries in the region faced severe economic pressures in 2024, with five countries working to contain double-digit inflation that disproportionately eroded the spending capacity of low-income households. Exchange-rate depreciation stemming from underlying economic weakness have widened inequalities between wealthier households with access to savings and foreign currencies and those without, further exacerbating socioeconomic divides. The resulting emergence of parallel exchange rates has prompted many Governments to impose capital controls and restrict withdrawals – measures that often place an undue burden on vulnerable households with limited access to alternative financing or insurance to manage unexpected emergencies.

Of the 17 countries for which public-debt data is available, seven have public-debt levels above 60 per cent of gross domestic product (GDP), which indicates an increased risk of debt distress.[1] High public-debt levels incur high repayment costs and limit Governments' access to further financing, which affects their ability to provide social services to their populations.

Under the prolonged economic stress affecting many countries in the region, seven countries are either enrolled in International Monetary Fund (IMF) programmes or are currently negotiating them, including three countries where negotiations have stalled. These programmes often mandate fiscal consolidation or austerity measures, which impose significant hardships on low-income households.

Economic, climate and other challenges have never had an equal impact on different population groups within the same country, including women, persons with disabilities, elderly and young people. Some have achieved economic gains; others have lost their access to resources, opportunities and livelihoods. These unequal consequences have resulted in a deepening divide within and among countries, and exacerbated existing inequalities.

Social protection – encompassing social insurance, social assistance and labour-market programmes – plays a crucial role in supporting low-income households during challenging times and preventing middle-income households from sliding into poverty. These programmes are essential not only for providing opportunities and protection across individuals' lifespans but also for addressing community-wide shocks. Furthermore, social protection contributes to economic development and redistribution; over the medium to long term, it reduces inequality and fosters social cohesion.

However, inequalities in social protection coverage and financing compound existing issues. Unequal access to social protection benefits or inadequate coverage as a result of limited fiscal space mean that the most vulnerable groups, who are already disadvantaged, face greater challenges. Also, depending on their design and implementation, social protection programmes can themselves reinforce inequality and the exclusion of certain groups of people.

The study has five chapters. The first chapter sets the scene by highlighting key-social protection developments in the Arab region that have either stimulated or limited equality, including income inequality. The second chapter explores how social protection systems across the Arab region have influenced inequality. Given the limited availability of data, the analysis focuses on the performance of Arab countries in terms of their social protection systems and inequality, mostly from an income perspective but also paying attention to multidimensional inequality and deprivation. The chapter provides an overview of the patterns and limitations of inequality and social protection. The third chapter examines the experiences of different population groups in benefiting from social protection. The fourth chapter examines four case studies: Oman, Morocco, Jordan and Tunisia; it analyses the role of social protection policies in addressing inequalities within these countries, and assesses whether they succeeded in narrowing the gap between the population groups. The fifth chapter provides policy options to capitalize on social protection to reduce inequalities.