

Policy brief

COVID-19 policy responses
in the Arab region:
**Limited fiscal space and lack
of effective social protection
systems**



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Policy brief

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

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

Website: www.unescwa.org.

Introduction

The COVID-19 outbreak has hit the Arab region hard both in terms of human casualties and socio-economic ramifications. As of September 2021, about 131,000 mortality cases had been reported.¹ By the third quarter of 2020, an estimated 15 million full-time jobs had been lost,² and a study from early 2020 estimated that 8.3 million people in the region would be pushed into poverty.³ To mitigate the effects of the pandemic, countries had to rapidly find solutions despite resource limitations and challenging circumstances.

The present policy brief sheds the light on social protection interventions as part of wider fiscal support measures implemented by Governments in the Arab region to cushion the repercussions of the pandemic on private households. It focuses on intra- and cross-regional differences in social protection spending using information and figures of public announcements issued by Governments and tracked by the COVID-19 Stimulus Tracker of the Economic and Social Commission for Western Asia (ESCWA).⁴

01

World Health Organization (WHO) Coronavirus (COVID-19) Dashboard.

02

Economic and Social Commission for Western Asia (ESCWA), 2020b.

03

ESCWA, 2020a.

04

The COVID-19 Stimulus Tracker was launched by ESCWA in collaboration with the Economic Commission for Africa during the High-Level Political Forum on Sustainable Development on 13 July 2021.

1. COVID-19 policy responses: Government fiscal support

Given the significant heterogeneity of the region's economies, the vulnerability as well as the responses varied greatly between groups of countries as defined by their average gross domestic product (GDP) per capita.

As of September 2021, fiscal support⁵ in the Arab region amounted to \$95.2 billion. Out of the total regional fiscal support, high-income countries (HICs) have extended \$70 billion or 5.1 per cent of their GDP of 2020, and the lower middle-income countries (LMICs)

have extended about \$18.7 billion or about 2.7 per cent of their GDP of 2020. The low-income countries (LICs) and upper middle-income countries (UMICs) have extended only about \$3.7 billion and \$2.7 billion respectively, namely 5 per cent and 1 per cent of their GDP of 2020 (figure 1).

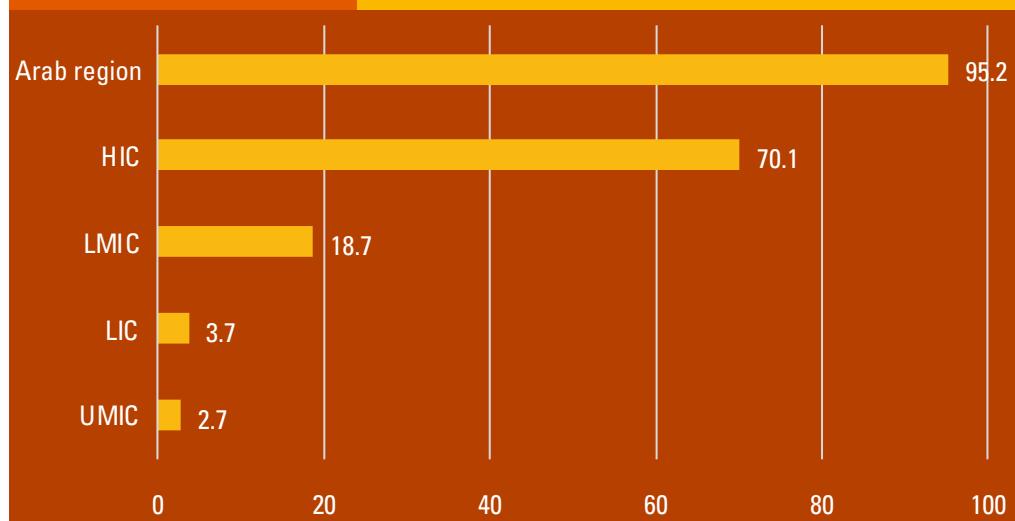
In this context, it is worth noting that 9 per cent of fiscal support went to social protection measures at the global level, while in the Arab region twice this share – about 18 per cent – was spent on social protection.

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Fiscal support refers to actions taken by the government to implement budgetary policies, such as revenue and expenditure measures, as well as issuance of public debt instruments and public debt management. See ESCWA glossary, available at <https://www.unescwa.org/sd-glossary/fiscal-operations>. According to the COVID-19 Stimulus Tracker, government fiscal support spending is broadly categorized into social assistance, loans and tax benefit, social insurance, labour markets, health-related support, financial policy support, general policy support, and multiple (non-disaggregated) policies.

Fig 1

Government fiscal support in the region, by income level (Billions of dollars)



HIC: high-income countries; LMIC: lower middle-income countries; LIC: low-income countries; UMIC: upper middle-income countries

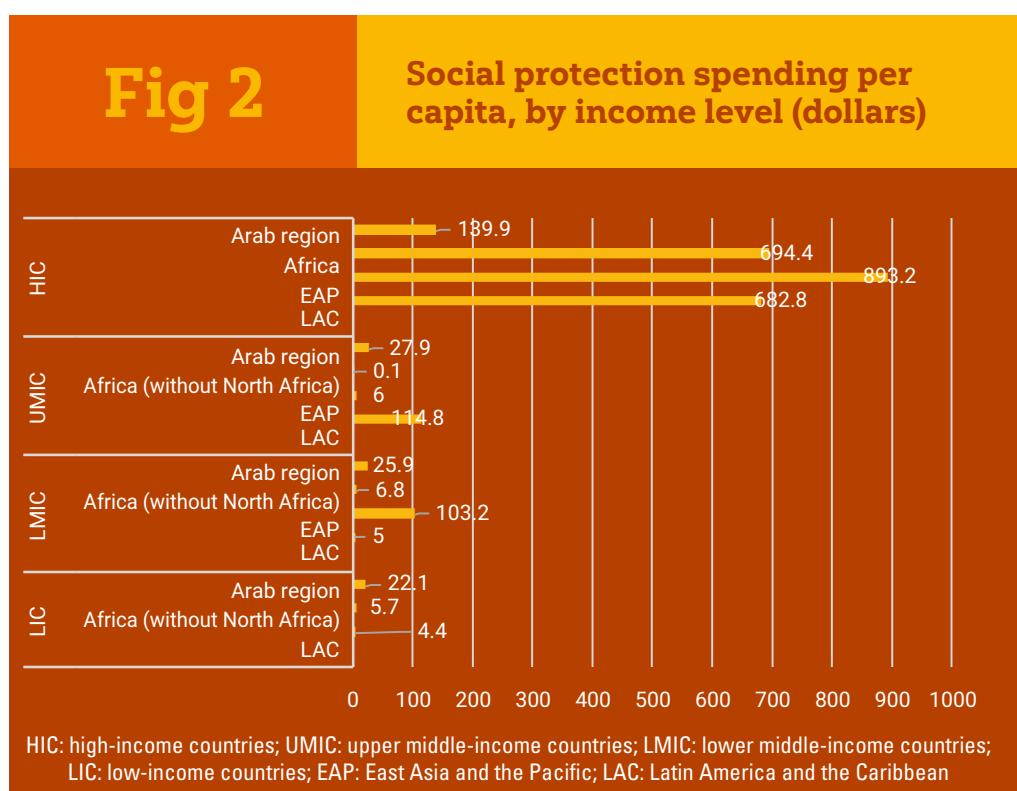
2. Cross-regional comparison: social protection spending per capita

To put the above-mentioned social protection spending announcements into appropriate context, comparisons can be drawn 'horizontally' i.e. across regions in the same income group rather than comparing countries between disparate income groups at the intra-regional level. On average, the Arab region's announcements in terms of social protection spending amounted to \$41.4 per capita compared to \$132.4 in Latin America and the Caribbean and \$6.7 in Africa (without North Africa).

Notably, the relative difference in social protection spending between high-, middle- and low-income countries is smaller in the Arab region as compared to other regions. As illustrated in figure 2, the UMICs in the Arab region spent \$22.1 per capita, which is considerably more than the amount spent by UMICs in other regions. Meanwhile, at \$140 per capita, HICs in the Arab region spent considerably less than HICs elsewhere, which might be the main reason behind the lack in overall social protection spending in the Arab region as compared to other regions.

Fig 2

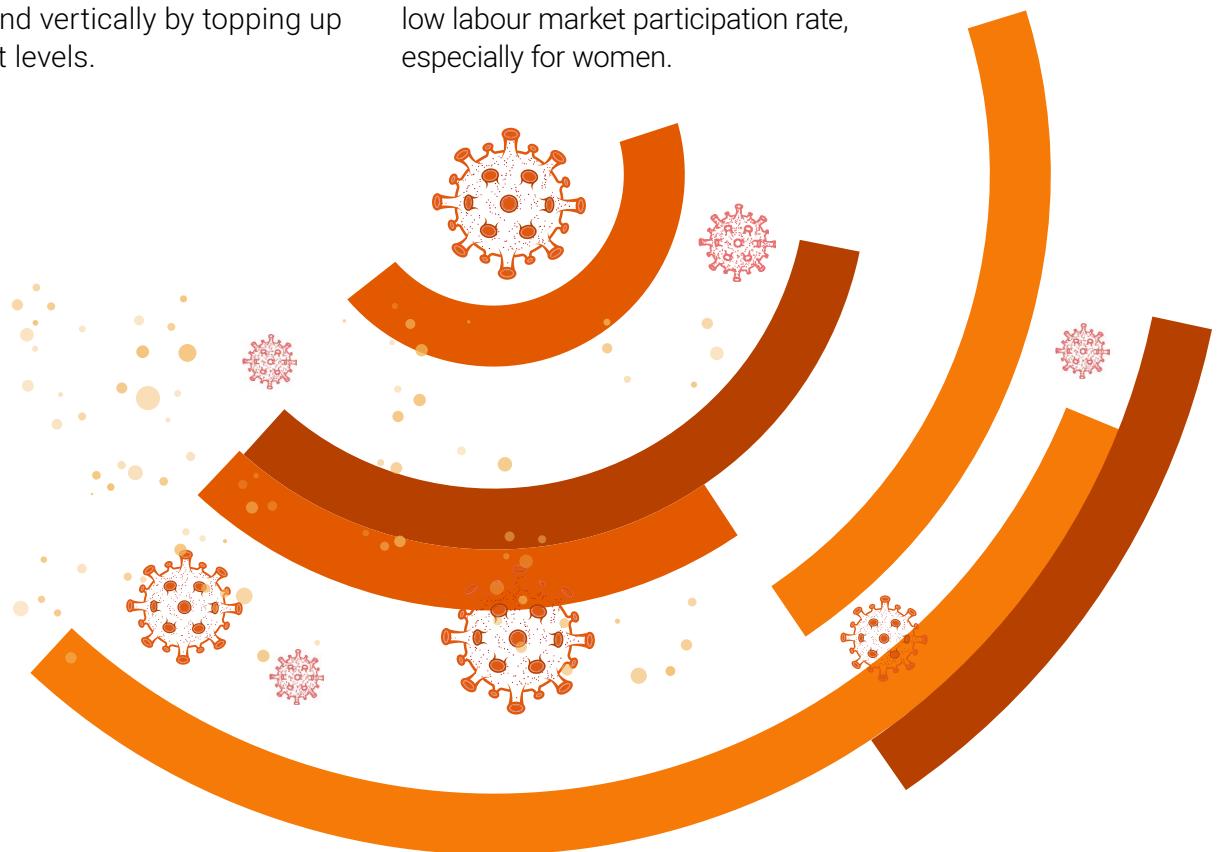
Social protection spending per capita, by income level (dollars)

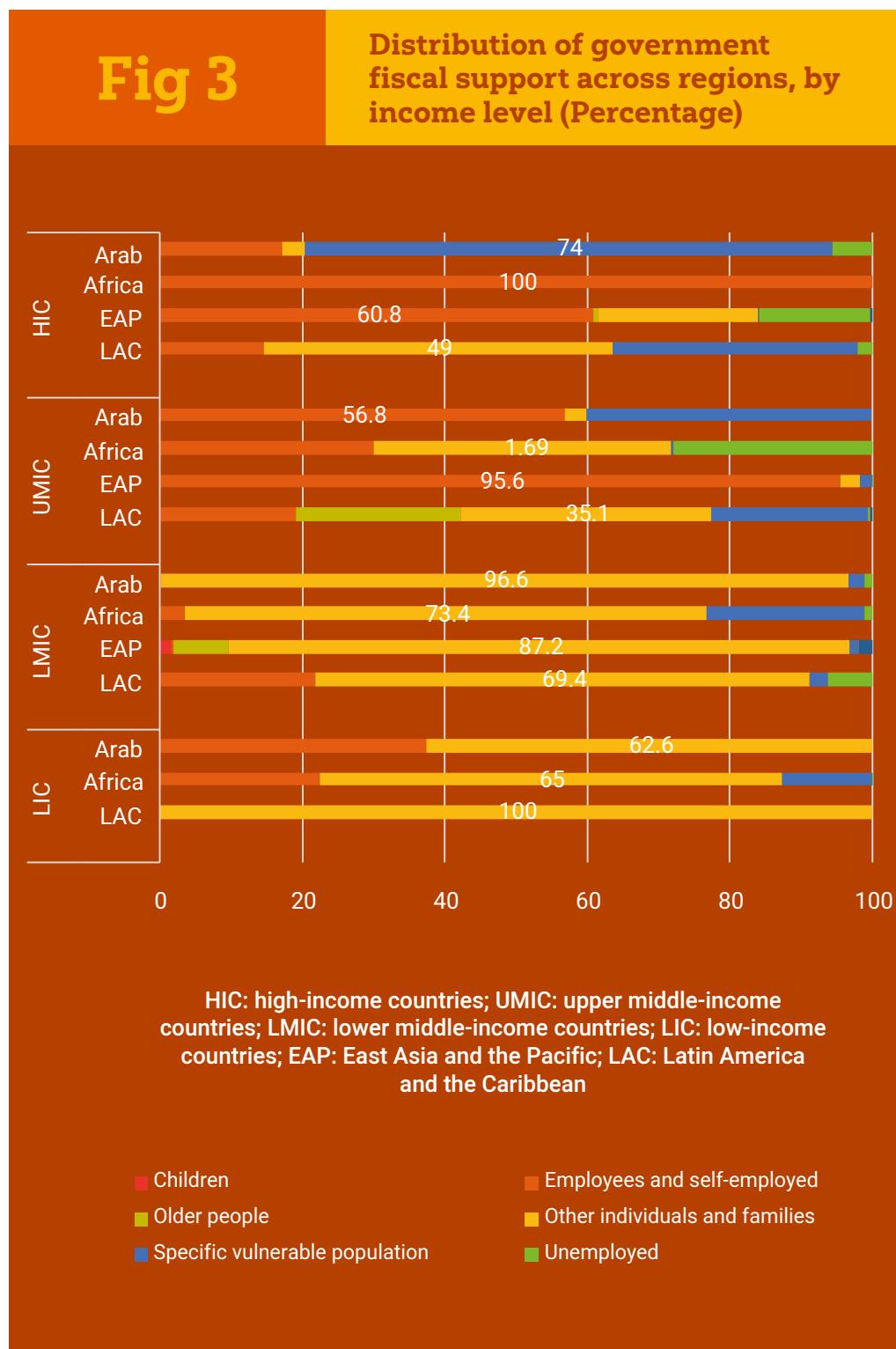


3. Beneficiaries of government fiscal support: Who gets how much?

As figure 3 illustrates, social protection spending patterns related to COVID-19, in terms of target groups, in the UMICs, LMICs and LICs of the Arab region mirror the spending patterns of their peers in other regions. While UMICs mostly spent to protect employees and the self-employed, likely reflecting the need to extend income support to the hard hit informal sector workers in these countries, LMICs and LICs across regions largely extended fiscal support to families. This family support possibly indicates that LMICs and LICs made use of existing social assistance programmes by expanding them horizontally by covering additional families, and vertically by topping up the benefit levels.

Interestingly, the Arab region's HICs show a spending pattern that is distinctly different from HICs in other regions, which largely spent on support for employees, the self-employed and families. In contrast, the Arab region's HICs spent almost three quarters of their fiscal support for specific vulnerable groups such as patients, persons with disabilities, imprisoned and homeless persons, and female-headed households. This distinct spending pattern possibly reflects differences in the Arab region's HICs, namely the Gulf Cooperation Council (GCC) countries, where the labour market composition is marked by a relatively small share of informal workers and a comparatively low labour market participation rate, especially for women.





4. Social protection policy measures

As of September 2021, 189 social protection interventions had been recorded in the Arab region. On average, each country introduced around 10 interventions, although the number ranged widely from 0 in Yemen to 24 in Bahrain (figure 4).

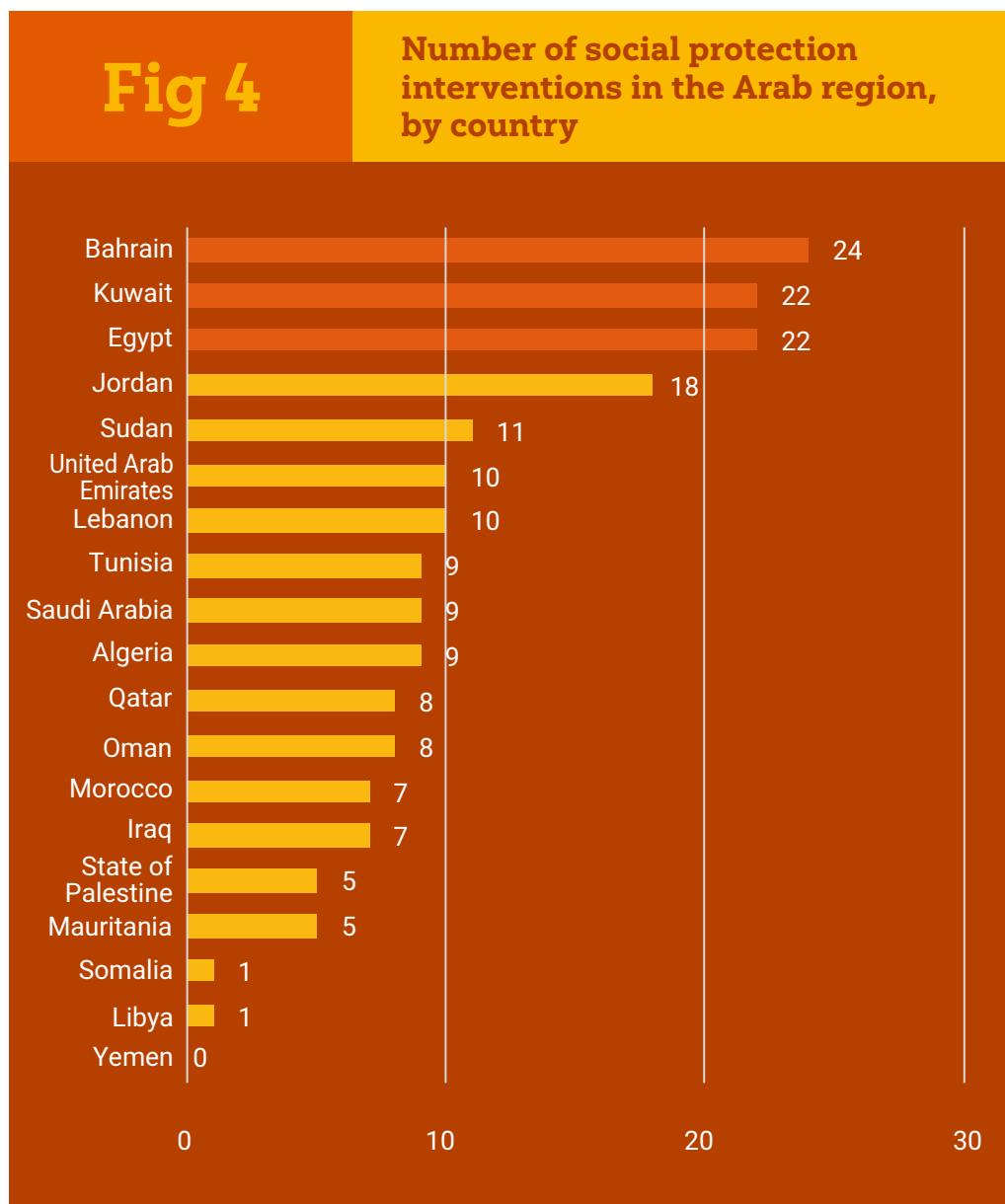
Despite the spending focus on vulnerable groups, roughly half of all social protection response measures to COVID-19 in the Arab region's HICs were geared towards labour market interventions rather than social assistance.⁵

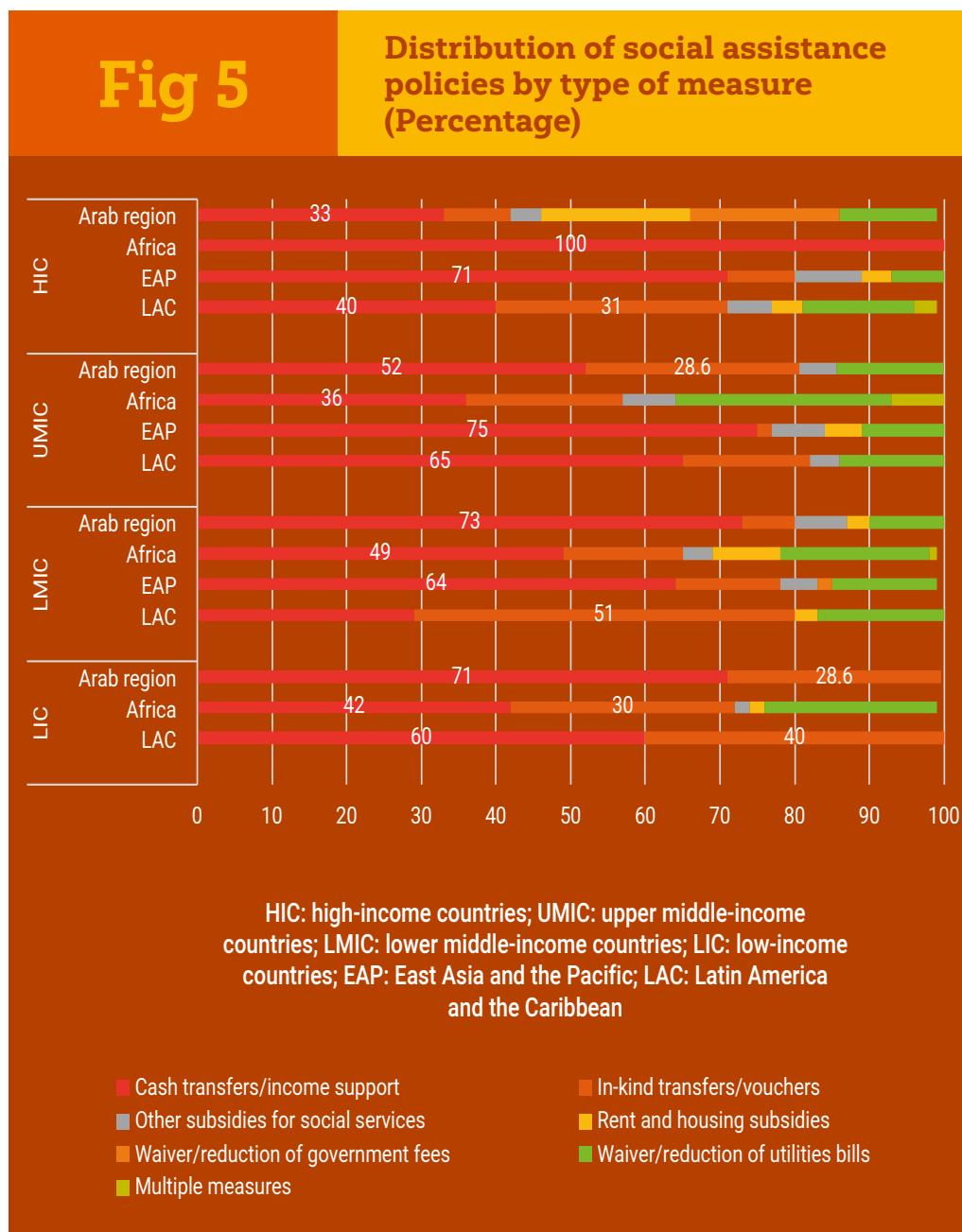
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Social assistance or non-contributory social protection measures are financed out of general government revenue and provided either to selected groups (targeted provision) or to everyone (universal provision). They consist of direct support in the form of cash or in-kind transfers but also indirect support, for instance waivers of bills and fees.

Fig 4

Number of social protection interventions in the Arab region, by country





Overall, social assistance constituted the major share of COVID-19 social protection interventions in the region. Of these, cash transfer/income support was the most frequent measure, accounting for more than half of all programmes (52 per cent) and was applied in 15 Arab countries. For instance, Egypt implemented a total of nine different cash transfer/income

support interventions. According to the COVID-19 Stimulus Tracker, cash transfers as a response mechanism were the least used in the Arab region's HICs as compared to HICs in other regions.

Figure 5 shows that the Arab region, particularly HICs, have made more frequent use of rent and housing



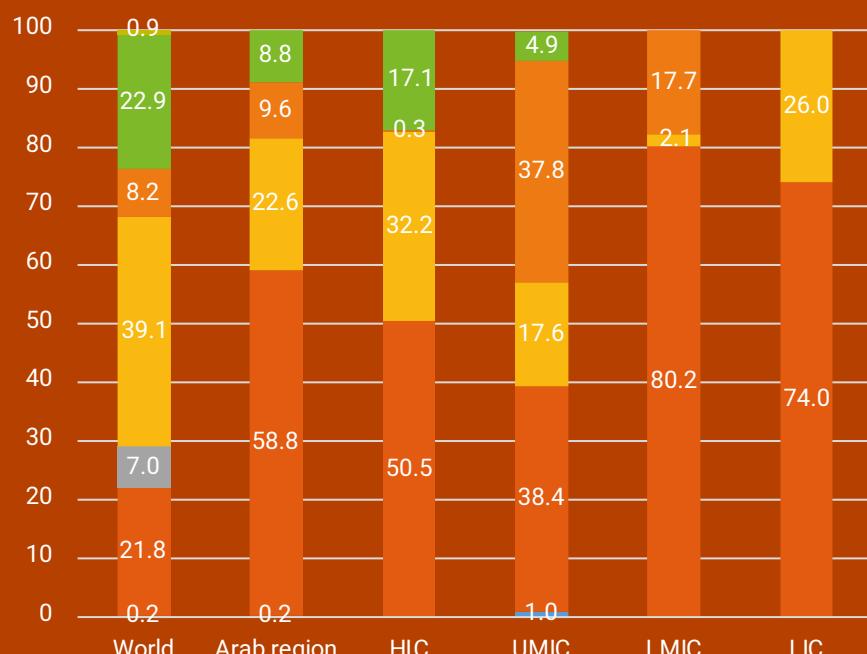
subsidies and waiver/reduction of government fees as compared to other regions' HICs.

Furthermore, employees and the self-employed received 59 per cent of total social assistance spending in the Arab region compared to 22 per cent globally. In the Arab region's LMICs

and LICs, social assistance to employees and the self-employed was 80 per cent and 74 per cent, respectively. Other individuals and families received 23 per cent of social assistance spending at the regional level with the highest ratio of 32.2 per cent in the HICs (figure 6).

Fig 6

Distribution of social assistance among beneficiaries (Percentage)



HIC: high-income countries; **UMIC:** upper middle-income countries; **LMIC:** lower middle-income countries; **LIC:** low-income countries

- Women ■ Unemployed ■ Specific vulnerable population ■ Other individuals and families
- Older people ■ Employees and self-employed ■ Children

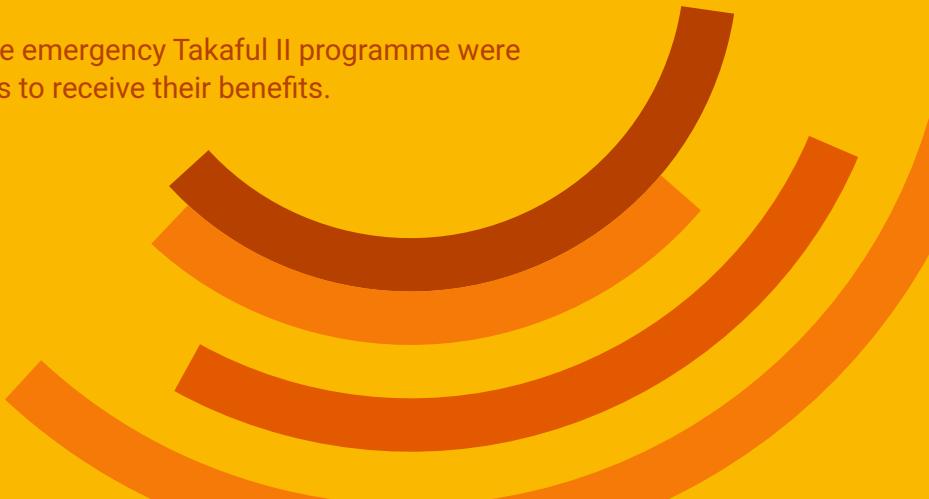
5. Social protection innovations triggered by COVID-19 responses

Since the outbreak of the COVID-19 crisis, numerous countries deployed innovative measures to extend social protection coverage to households and individuals, especially those who were not previously covered by social

assistance or social insurance. In many cases, these measures are related to the rapid identification of potential beneficiaries and distributed benefits:⁶

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ESCWA, 2021a.

- 🕒 Enabling open registration and onboarding of vulnerable groups:
Morocco enabled online registration for households working in the informal sector, which did not previously benefit from its subsidized health insurance scheme RAMED, to claim cash support via the programme.
- 🕒 Selecting new beneficiaries through existing social registries:
Mauritania identified around 80 per cent of beneficiaries of the emergency Cash Transfer to Vulnerable Households Programme through its pre-existing social registries.
- 🕒 Adjusting eligibility criteria to achieve universal coverage:
Iraq expanded the coverage of its Social Safety Net Programme to 60,000 additional beneficiaries.
- 🕒 Enabling access to national databases for international partners:
In the **State of Palestine**, Mercy Corps was granted access to the single registry of the Ministry of Social Development to reach populations that were previously registered but not enrolled in the ministry's cash transfer programmes due to monetary limitations.
- 🕒 Adopting prepaid cards:
In **Egypt**, beneficiaries of the emergency cash assistance programme received the Meeza cards, which enable withdrawal of cash benefits from ATMs and e-payments.
- 🕒 Adopting mobile wallets:
In **Jordan**, beneficiaries of the emergency Takaful II programme were encouraged to open e-wallets to receive their benefits.



6. Key challenges of social protection responses in the Arab region

Amongst a variety of challenges, the limited fiscal space could put the recovery in the Arab region at risk. Based on ESCWA estimates, the region would need to spend an additional \$450.6 billion to respond proportionally to the socio-economic fall-out of COVID-19 in addition to the government fiscal support of \$96 billion that was already spent as of September 2021.⁷

Ensuring accurate targeting methodologies in view of volatile

economic environments constitutes another challenge. It has even become more difficult to determine who is in need since the socio-economic situation of households changes during a short period of time. In the longer term, ensuring adequate social protection financing based on sustainable sources will also require reducing the level of informality while increasing the rate of employment and labour market participation.

08
ESCWA, 2021b.



7. Policy recommendations

A key lesson learnt during the pandemic is that social protection systems should not be reduced to a narrow safety net covering merely the poorest population. The COVID-19

crisis thus serves as an opportunity to adopt more comprehensive and inclusive approaches to social protection aiming at leaving no one behind.

Key policy recommendations therefore include the following:

1

Extend the coverage of social protection programmes to include groups that are presently excluded, notably informal and self-employed workers, many of whom are female.

2

Ensure sustainable and equitable social protection financing, for instance by introducing progressive taxation accompanied by innovative sources of financing such as solidarity and zakat funds.

3

Enhance the resilience and shock responsiveness of social protection systems, for instance by increasing the scope of social registries.

4

Strengthen the regional mechanism for solidarity and cooperation to facilitate the redistribution of resources and exchange of knowledge across countries.

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Social Protection for
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**Building social
protection capacities**



Strengthening
Social Protection for
Pandemic Responses
**Guiding poverty
reduction**



Strengthening
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**Advancing care
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