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SUSTAINABILITY OF SOCIAL PROTECTION SYSTEMS IN THE ESCWA REGION

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I. INTRODUCTION

Social protection relates to many facets of society, from human rights, to the well being of the economy, to labour policies etc. In fact social protection affects and is affected by all these various sectors of society. While it is widely acknowledged today that social protection is a human right and a necessary part of any properly functioning society, differences in opinions come to light when it comes to the actual extent of coverage and scope of such schemes. The basis of these differences stems mostly from concerns pertaining to ability to financing such schemes, especially in times of crisis. In addition, economic and political beliefs regarding the role of the state also determine the extent, scope and level of social protection coverage. While it is not the main aim of this paper to delve into the historical, ideological debate surrounding the role of the [welfare] state, it is nevertheless important to bring this debate to light.

The main objective of this paper is to analyze and assess the social protection schemes offered in ESCWA countries as well as their financial sustainability. In order to do the latter, one must look into the funding and spending patterns on these schemes. Where does the funding come from? Where is it being spent?

The first section of this paper will present the methodology in addition to the limitations. The second section will be concerned with defining social protection. A clear understanding of the terminology used and a presentation of the varying definitions is important for purposes of benchmarking and potentially quantification. Third, the issue will be put in context of current events in order to show the need for such a study to be taken further and to encourage reform. The fourth section will pertain to the findings on social protection schemes in ESCWA countries with a focus on health, pension, disability and unemployment.

II. METHODOLOGY

A. Desk Review

The methodology used for this paper is mostly an extensive desk review. The first part of the desk work was to undertake a literature review of social protection. For this several official sources were consulted. Some of the major sources which have been used are ILO official documents, World Bank papers, ESCWA reports, UNRISD research papers, EUROSTAT, World Health Organization (WHO), and International Social Security Association (ISSA). All these sources served as a basis to gain greater understanding of and pin point the distinctions in definitions of social protection. In addition to this, country cases studies of ESCWA countries were looked over to benchmark and compare the schemes they offer.

The second part of the desk work was an attempt to quantify, and assess the financial sustainability of these schemes. For this several databases have been accessed, beginning with ILO's Social Security Expenditure Database. Also consulted were World Bank databases, IMF's World Economic Outlook as well as one of the biggest most consolidated databases, the IMF's Government Finance database. For health expenditures and indicators, the data was mostly available in the WHO Global Health Expenditure Database.

In addition, social security association websites of each ESCWA country were accessed (when available) in order to access annual reports regarding the number of contributors, the amount of contribution, the amount of benefits distributed etc.

Finally government budgets for the years ranging from 2005 till 2010- whenever available on the website of the Ministry of Finance were looked over. The purpose of accessing the budgets was to attempt to evaluate the government spending on social protection in general and more particularly on social assistance.

Based on the above, it can be said that there is a general lack of quantitative data pertaining to social protection in ESCWA countries. Below is a review of the major limitations of this research paper.

B. LIMITATIONS

While undertaking the extensive desk review for this paper, several limitations became apparent most notably that of lack of available data on social protection. The purpose of this section is outline the major limitations faced and which need to be assessed by stakeholders and experts in the field in order to move forward with this issue.

1. Lack of unified definition

First off, in order to assess and compare the financial sustainability of social protection in various ESCWA countries it is essential to agree on a common definition as to what social security is, what social protection is and what they encompass and entail. However, it is obvious, following extensive research, that there isn't a universally accepted definition of social protection. While the definitions mostly have the same basis, they differ slightly in terms of their scope and extent. Particularly, there is more confusion as to the exact definition of "social protection", even by ILO who is intended to be the pioneer and at the forefront of the debate cannot pinpoint and adopt one singular clear definition. In fact, in one major report ILO defines social protection as the following:

> *"The term social protection is used across the world and institutions with an even greater variety of meanings than "social security". It is often interpreted as having a broader character than social security (including, in particular, protection provided between members of the family or members of a local community), but is also used in some contexts with a narrower meaning than social security (understood as comprising only measures addressed to the poorest, most vulnerable or excluded members of the society). Thus, in many contexts the terminology of social security and social protection may be largely interchangeable, and the ILO (following the European tradition) certainly uses both in discourse with, and the provision of relevant advice to, its constituents."*[1]

The lack of a unified definition hampers the process of calculating social protection spending. Without a proper definition it becomes less feasible to go over budgets and determine what items should be included in order to calculate this expenditure.

2. Lack of systematic Data

Secondly is the problem regarding quantitative data pertaining to social protection? There is a general lack of up to date, consistent and regular data in ESCWA countries. As previously stated, several databases were consulted in an attempt to assess the financial sustainability of social protection schemes in these countries. Major databases such as those of the World Bank and IMF did not have up to date statistics as to the share of social protection in the GDP, or the share of social assistance out of total social protection etc. The World Bank's latest available data online pertained mostly to the 1996 to 2004, depending on the country[2]. Even the ILO database on social security expenditures relied on secondary data by linking to other official databases which mostly returned empty. "In sum, current efforts in systematizing the collection of government social protection expenditure data [is] at present the available data are limited in coverage and highly imperfect. Reliable expenditure data on social protection is available for European and countries of the Organization for Economic Co-operation and Development (OECD) but it is highly uneven for developing countries"[3]

In regards to annual reports and data from social security association or rather social insurance associations' sites, the latter are not always available. Some countries have up to date information regarding the number of contributors and beneficiaries, the revenues and expenditures of the association; most however are lacking. Yet, even when data is available regarding such funds, it often does not include the data regarding military

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[1] ILO, 2009. "Building Adequate Social Protection systems and protecting people in the region". Thematic Paper, Arab Employment Forum, Beirut, Lebanon 19-21 October.
[2] World Bank, 2008, "Levels and Patterns of Safety Net in Spending in Developing and Transition Countries"
[3] Barrientos, Armando, 2010. "Poverty Reduction and Policy Regimes". Thematic Paper. Social Policy and Development, paper #42, UNRISD

pension funds, or public employees' fund and as such does not give an accurate picture regarding social insurance spending in the country. As these are separate funds it is only natural that they not be included. However, they do not have up to date sites whereby one can access this data.

Finally, it was essential to look over government budgets from which one may determine government expenditures on social insurance and social assistance programs. One of the main issues in this regard however is the lack of a standard definition across countries which would not only facilitate the calculation of the expenses but also their comparison. Without a commonly agreed upon definition, it is not possible to determine what should and should not be included within social protection expenditures. Jordan for example has a category in its budget called "social protection", however it is not possible to determine what has been included in this category; for example the addition of subsidies and social benefits do not amount to the total of social protection as stated in the budget.

Further than this, many government budgets have been amended over the years in terms of structure, categories and format and as such it is not possible to draw a timeline or a yearly comparison of expenditures on social spending.

In addition, certain budgets do not properly classify their expenditures under administrative, economic and functional classifications, most notable being the case of Lebanon. While these different classifications are available in the budget, upon closer inspection it is noticeable that the sums within each of these classifications are the same. The administrative classification of the budget of the Ministry of Health for example is the same as the functional expenditures on Health Affairs and Services in Lebanon. According to OECD standards however, the administrative costs of the Ministry of Public Health should not be included in the category of social expenditure as this spending does not directly benefit or go to the beneficiary. "[Social expenditure] generally excludes administration costs, i.e. the costs incurred with the provision of benefits, as these expenditures do not go directly to the beneficiary. Administration costs cover expenditure on the general overheads of a social expenditure programme: registration of beneficiaries, administration of benefits, collection of contributions, controls, inspection, evaluation and reinsurance."[4]

"Quantifying spending on safety nets is difficult because the conceptual definition does not fit within a single ministry's mandate. Thus the most easily and regularly obtainable sets of numbers on government spending are not useful for tracking spending on safety nets."[5] This is apparent when looking over the government budget of Jordan for example and attempting to quantify the social assistance spending which is divided amongst many institutions amongst which the National Aid Fund, the Zakat Fund, the Development and Employment Fund etc.

III. BACKGROUND AND CONTEXT

A. Defining Social Protection

The debate surrounding definitions and understandings of social security and social protection is longstanding. Various international organizations have adopted varying definitions when it comes to these two concepts. Often times the terms social security and social protection are conflated and interchangeably used. Generally however, there is somewhat of a consensus regarding the fact that social protection encompasses social security and extends beyond it. The remaining differences in definition are mostly nuances.

According to the International Labour Organization (ILO), Social protection is more inclusive in nature than social security which tends to focus on social insurance (contributory and non contributory schemes) and social assistance such as conditional cash transfers and social safety nets. Social protection includes community and kinship assistance in addition to the above. This concept however is not strictly applied nor defined. Indeed, in many cases, the ILO interchangeably uses the concepts of social security and social

[4] OECD, 2007. "The Social Expenditure Database: An interpretive guide. SOCX 1983-2003"
[5] World Bank, 2008. "Levels and Patterns of Safety Net Spending in Developing and Transition countries" SP

protection. A reason for this, as previously mentioned, is that there is no overarching set definition for the latter which is sometimes conceptualized as having a broader character than social security and sometimes a much narrower one[6].

In order to avoid confusion and for the purposes of this report, the terminology of social protection will be used as defined in the EUROSTAT as it seems to be the most precise and measurable. "Social protection encompasses all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided that there is neither a simultaneous reciprocal nor an individual arrangement involved."[7] This definition is similar to that offered by the ILO in its latest World Social Security report in that it excluded reciprocal as well as private arrangements. As such, kinship, community and family support (for example NGO services) would be excluded from the calculation and definition of social protection in this paper.

Social security has overtime become widely accepted as a basic human right which is guaranteed by the Universal Declaration of Human Rights among other international conventions. Indeed, article 22 of the UDHR clearly states "Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality."[8] Several other conventions have guaranteed the right to social security such as The Social Security (Minimum Standard) Convention of 1952 (No 102), The Equality of Treatment (Social Security) Convention of 1968 (No 118), The Employment Injury Benefits Convention of 1964 (No 121), Invalidity, Old-age and Survivors Benefits of 1967 (No 128), the Medical Care and Sickness Benefits Convention of 1969 (No 130), The Maintenance of Social Security Rights Convention (No 157), The Employment Promotion and Protection against Unemployment Convention, 1988 (No.168), etc. The majority of the world's governments however have not ratified these conventions.

Nevertheless, evidence shows that the majority of countries in the world, if not all, have in place some form of social security system which aims to cover and protect at least part of its population. Despite this however, the majority of the world's population are not covered by any form of social protection or inadequately covered. In fact, only 20% of the world population is formally covered by adequate social protection[9] since most social protection schemes worldwide (especially in developing countries) are contributory based rather than universal contrary to the dictates of the new ILO concept of Social Protection Floor (SPF). The latter is regarded as a social policy approach, or rather a concept which guarantees a basic set of social rights to all individuals. The SPF is the first level of social protection and aims to provide basic universal coverage in terms of health and income security, followed by contributory schemes and topped off with voluntary schemes. What is most widely available worldwide however, are contributory schemes which, by definition exclude all those who may not, or cannot contribute. This leads to the issue of labor informality. Indeed, developing countries have a high share of informality in their labor market due to the refusal of employers mostly to register their employees in order to avoid paying any contributions. As such, these employees who tend to not have any bargaining power are left even more vulnerable and at risk. In addition to this, it is possible for employers to lower the declared wage in order to pay less contribution, entailing that the employee will receive less compensation at retirement for example.

Social protection intends to secure or protect individuals or households from: "(a) lack of work related income caused by sickness, disability, maternity, employment injury, unemployment, old age or death of a family member, (b) lack of access or unaffordable access to healthcare, (c) insufficient family support particularly for children and adult dependants, and (d) general poverty and social exclusion."[10] Basically, these schemes are in place to protect people from life related risks such as unemployment, sickness, death, disability, old age, etc.

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[6] ILO, 2011. "World Social Security Report: Providing coverage in times of crisis"

[7] EUROSTAT, 2008. "The European System of Integrated social protection Statistics Manual"

[8] Universal Declaration of Human Rights, 1948

[9] ISSA

[10] ILO, 2009, "Building Adequate Social Protection Systems and Protecting people in the Arab region", Thematic Paper, Arab Employment Forum

To better understand the notion of social protection there needs to be a distinction in the "schemes" it may and should encompass. Social protection pertains to both social insurance schemes as well as social assistance. The former generally refers to contributory schemes but may also refer to tax funded universal schemes, such as universal healthcare. Generally, contributory schemes are for individuals of working age employed in the formal sector. These individuals receive benefits based on their contributions- a set share of their income- and contributions from their employers and the government. As such, these schemes are quite exclusive, leaving those most in need uncovered and unprotected as shall be seen. Universal schemes on the other hand, tend to have wider coverage and be more inclusive in nature. Generally, their only condition is to be a citizen of resident of the country.

Social assistance on the other hand refers to cash transfers, subsidies and safety nets mostly aimed at people in need as a tool for poverty alleviation. Often times, social solidarity such as family transfers and care, community help as well as services provided by NGOs are counted within the definition of social protection. However, for the purposes of this paper, and as has been previously noted, these will not be included within the definition. Social assistance intends to give further "assistance" to the most vulnerable individuals and households in society even if and when they are covered by formal public insurance schemes. There are various forms and manners in which this is undertaken and shall be further explored later on in this report.

Today, the ILO is working to change the conceptualization of social protection, especially in developing countries, from one which applies to either those who can either afford it (social insurance based on contribution) or those who are the most in need (welfare, social assistance). It is attempting to achieve a more universal notion of social protection which provides a certain degree of protection to all; thus the concept of social protection floor – a basic set of social rights and services and facilities that every person should enjoy. After an equal basis has been guaranteed universally, then one can start thinking of contributory social insurance schemes and even voluntary schemes. That is not the case in many developing countries, Arab ones being no different.

Following from this debate is obviously the issue of financing and affordability of social protection schemes by governments. If the aim is to provide universal social protection, then one must look into the possibility of financing such schemes. How are governments financing their current schemes and how are they spending on these schemes. How is it possible to improve coverage or sustain the current coverage? These are questions which have risen up more sharply in recent times following the financial crisis of 2008.

B. THE FINANCIAL CRISIS AND SOCIAL PROTECTION IN THE ESCWA REGION

"In times of economic downturn, revenues earmarked from contributions or taxes to finance social security programmes fall, while expenditure – due to the increased number of beneficiaries – rises."[11] In the face of such constraints, some countries such as Greece, Ireland, Portugal etc. have leaned towards austerity measures which tend to cut public spending. Even the US has had to agree to public spending cuts in order to raise the ceiling on borrowing and not default on its debt. The aim is to reduce public deficit and to consolidate public finances. Increasing spending on social protection however, in order to protect individuals from falling into poverty, or falling further into extreme poverty is an essential component of economic recovery. Some countries have indeed relied on social security programs in order to stabilize the economy. In fact, such schemes will keep people out of poverty, or at least extreme poverty, thus granting the opportunity to be productive members of society. "[Social Protection schemes'] economic function is to increase the productivity of individuals and households and their willingness to take risks thereby improving their potential for self-help."[12]

The financial crisis of 2008 has had effects on economies worldwide, with some suffering more than others. While the ESCWA region obviously felt some of the repercussions of this crisis, the impact was not as grave

[11] ILO, 2009. "Social Security in times of Crisis: An international perspective", Expert Group Meeting on Population Ageing, International Transfers and Social Protection.
[12] Federal Ministry for the Economic Cooperation and Development, 2009. "Sector Strategy on Social Protection", Strategies 190, Germany.

as it was on OECD countries or even on other developing countries. Both oil exporters and oil importers felt some of the negative effects of this crisis, but on different levels. It is obvious from figure 1 that most countries have experienced a decline in GDP growth following 2008. Particularly, 2009 marked a year of low growth, even negative growth for Kuwait and the UAE. While the high oil prices during the years preceding the crisis have allowed the GCC countries to amass a surplus, they have suffered from loss of income with the reduction of production and prices[13].

The impact of the financial crisis was not as observable in some of the Arab countries of the Middle East at first due to several factors of which: "(i) over the past years, the GCC region benefited from windfall incomes derived from high commodity prices; (ii) GCC countries managed their financial assets fairly prudently; and (iii) beyond exporting commodities, Arab economies are rather weakly integrated into the global economy."[14] Despite this, governments should not take on a passive attitude. As seen from the Arab uprising which started in Tunisia in 2010, there is a demand for and a need for reforms and change in these countries. Soaring unemployment, lack of job opportunities, growing poverty from which there is no protection have had a role to play in the demand for change and reform, in addition to the nature of the repressive regimes.

In many cases government may increase their social assistance spending, which usually targets the most vulnerable in society instead of extending universal benefits. This is seen as less costly and more affordable. There should be a shift in attitude however whereby all governments acknowledge that the "entire population is entitled to social benefits as a basic right", which was the prevalent ideology of the 70s prior to the emergence of neo-liberalism. In order for this to occur however, there needs to be a shift from contributory schemes as the basis of social protection to non-contributory tax funded schemes.

In a time of crisis however, governments face decreasing public as well as private revenues. As such an issue to be raised here is the financial possibility of increasing such government revenues in order to maintain and even increase social public spending. More than this however, the issue of the capability of these governments to efficiently, effectively and routinely collect taxes must be considered. Unfortunately there is generally a positive correlation between governments' ability to collect taxes and the level of development of countries[15]. Without increasing revenue, it is not possible to extend coverage. Without increasing contributions, it is not possible to increase the extent and scope of coverage. These are issues which have come to light more drastically in the last few years. In fact, the history of social security shows that it is often born out of crisis periods, during which times people are at their most vulnerable[16].

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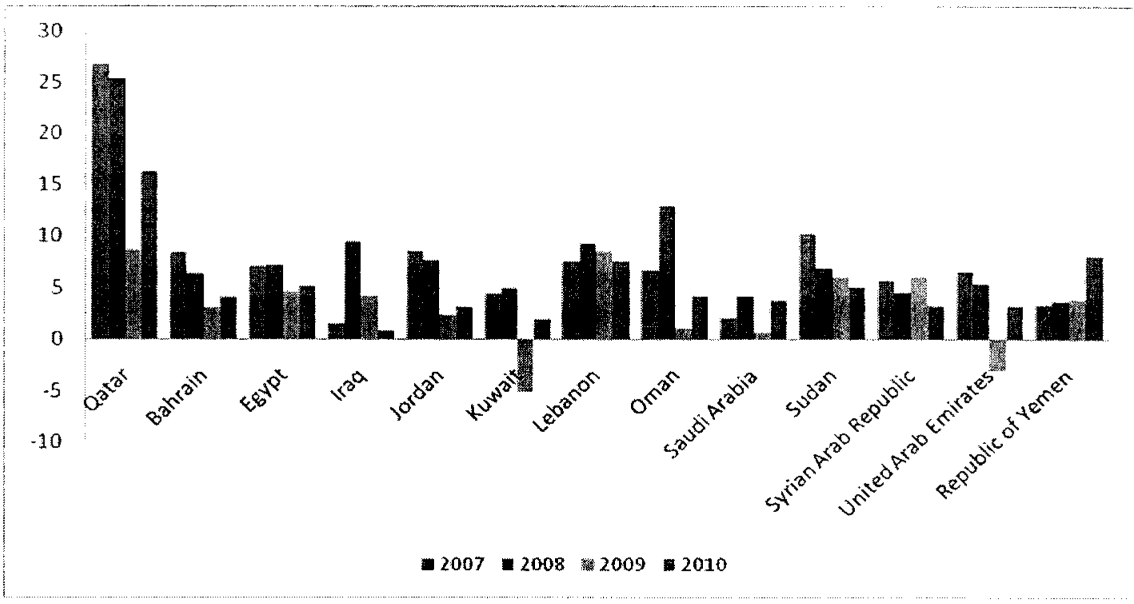
[13] ESCWA, 2009. "The Impact of the financial crisis on ESCWA member countries: Challenges and Opportunities

[14] ILO, 2009. "The Impact of the financial and economic crisis on Arab states: Consideration on Employment and Social Protection Mechanisms"

[15] Von Haldenwang. C et Ivanyna. M, 2010. "Assessing the tax performance of Developing Countries", Discussion Paper, German Development Institute

[16] UNICEF, 2010. "Social Security Spending in times of Crisis"

Figure 1 GDP Growth rates of ESCWA region[17]



IV. FINDINGS

ESCWA countries all provide some form of social protection as a part of their national social policies. Their coverage and scope however differ greatly – usually in line with their economic classification. Naturally, the oil producing countries tend to provide more universal coverage than the least developed countries or countries in conflict. This is probably due to their nature being resource rich labour poor countries as opposed to other countries (such as Lebanon, Jordan, Syria) which are resource poor, labour abundant. It can be noted that only a select few of the ESCWA countries provide unemployment benefits, while all of them provide some form of health care benefits to at least some of their citizens.

While demanding change is necessary, it is not possible to undertake the needed reforms without analyzing and better understanding the receipts and expenditure patterns of governments on social protection. This task in itself proves difficult however as systematic and reliable data lacking on this matter, as has been previously noted. Granted the first step of any change is political will, the second should be that of possibility and financing. Given recent changes, most governments have had to succumb their political will to that of their people, what now remains for some of these countries is to reform and increase coverage both in terms of extent and scope.

One of the main downfalls of all the social protection schemes in ESCWA countries is the lack of universality (except for some health schemes). Most of the schemes are contributory or means tested cash transfers and safety nets. The lack of universality does entail that a large portion of the countries' citizens, especially those who are unemployed or inactive (the majority of who are women and youth) remain unprotected. The most vulnerable are those with the least access to healthcare and other forms of social insurance. "The main weakness of these schemes lies in the fact that they are mostly tied to formal sector employment and thus hardly reach beyond the urban middle classes."[18] However, it is not just the unemployed or inactive who are at risk since there is a huge labour informality in the Arab region with many employees not being registered in the social insurance schemes and as such receiving no compensation for their work.

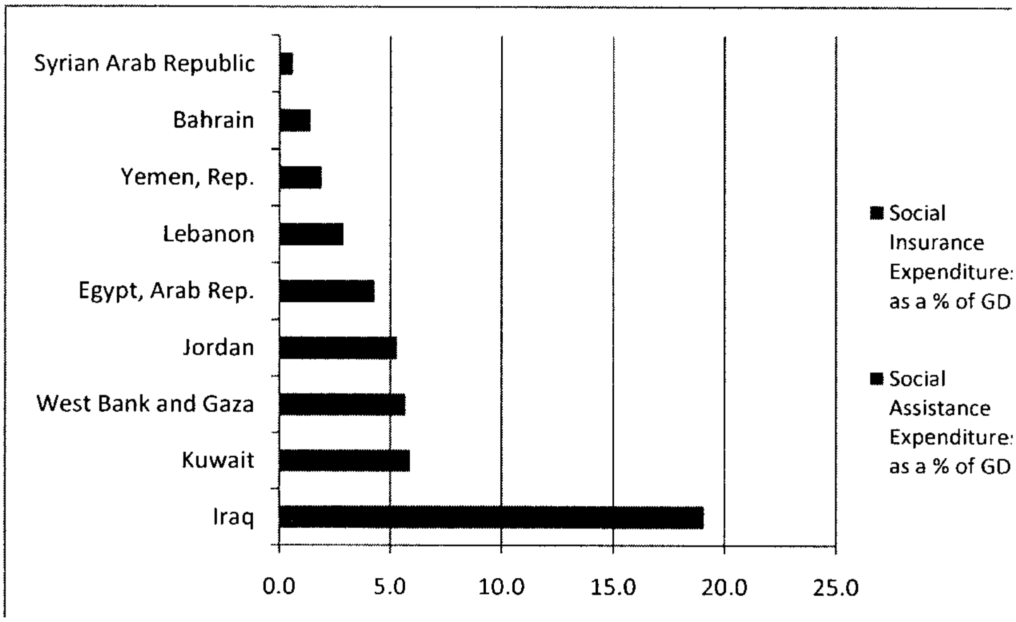
In fact, this is not only true for ESCWA countries but most countries worldwide whose social insurance expenditure usually exceeds social assistance expenditures "Social insurance spending (which often does not

[17] IMF, World Economic Outlook

[18] ESCWA 2009, "Social Policy and Protection: Challenges in the ESCWA region". Vol 2, #8

reach the poor) constitutes most of the social protection spending in many countries: the average (mean) spending on social insurance is 5% of national income (median is 3.5%), compared to an average (mean) spending for social assistance of 1.9% (median is 1.5%)."[19] While "OECD countries spend between 10% and 30% of GDP on social security"[20], it is obvious from figure 2 below that most ESCWA countries spend less than 7% on social security with the exception of Iraq.

Figure 2: Share of social insurance and social assistance from total social protections[21]



Following will be a presentation of the four topics at hand starting with Health, followed by pension, and unemployment and disability. The latter two will be mostly present the schemes available in the country in a non-extensive manner as there is a serious lack of data on these issues. The fourth part of this section will deal with the concept of social assistance while the fifth will look into reforms and contingencies these government have been working on, especially following the financial crisis.

A. Social Security Health Expenditures

While data regarding spending patterns of social security is lacking, the most widely available data is that of spending on health. When looking at social protection on health, one must look into not only expenditures, but the extent of coverage as well as the quality of care if possible.

The majority of ESCWA countries provide some form of health benefits to their citizens or at least working population. In fact, as previously noted, most social protection expenditure is done through the form of social insurance. Most GCC countries on the other hand provide free healthcare to all their nationals, and some even provide some diminished healthcare services to foreigners. Due to financial issues whereby expenditures are growing at an even faster pace than they used to, many of the GCC countries have now requested that employers provide insurance to their expat employees.

In order to assess the financial sustainability of healthcare schemes in ESCWA country, one must determine how much is being spent on health, by whom and how. "Financial sustainability in health systems is: having

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[19] Samson. M. et al. 2010. "Designing and Implementing Social Transfer Programmes", Second Edition, Economic Policy Research Institute

[20] Kattaa, Maha. 2011 (ILO) "Social Protection and Cash Transfer mechanism in Syria", UNESCO Social Protection Workshop

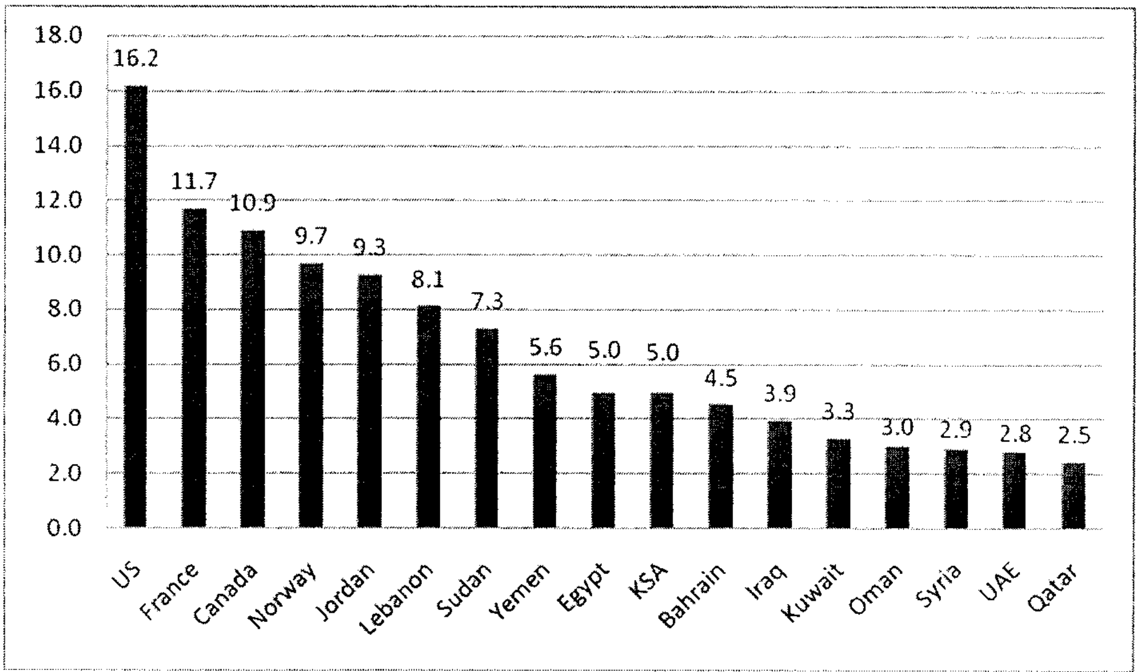
[21] World Bank "Spending on Social Safety Nets: Comparative data compiled from World Bank Analytic Work", Data for West Bank and Gaza represents total social protection for which no breakdown is available. No data available regarding social assistance expenditure in Kuwait, Bahrain and Syria

enough reliable funding to maintain current quality health outcomes and health services for a growing population and to cover the costs of raising quality and expanding availability to acceptable levels (USAID, 1995)."

There are two main ways to fund public healthcare systems, similarly to all social protection schemes, and those are by tax revenues or by contributions. However one of the main issues of developing country governments is their lack of capability to collect taxes and to enforce mandatory contributions. Despite this health care benefits should not be tied to employment. Such benefits are essential to any decent form of life and as such should be provided to all. Medical benefits should be turned into universal social insurance in all ESCWA countries.

Based on figure 3 below, it is obvious that GCC countries' total health expenditure is relatively small compared to OECD countries due to the very high GDP per capita, while the health expenditures of countries such as Jordan, Lebanon and Sudan near match those of developed countries. The issue however is not only that these countries have a high expenditure, but it is that these high expenditures do not translate into better care and services or even health indicators as shall be seen[22].

Figure 3 Total Health Expenditure as a share of GDP 2009[23]



Having noted the above, it is nonetheless not enough to look into total health expenditures (THE). The distribution of these health expenditures between public and private sectors is important in determining the scope of social protection. In addition, correlating such data with health indicators will allow for a better assessment of the impact of these systems.

It is obvious from the graph below that Lebanon's social security fund expenditure on health is much higher than other ESCWA countries. The GCC countries are among those who have the highest public expenditure on health. Kuwait, Oman and Qatar's governments cover 84%, and 80% respectively of total health expenditures in the country. The Kingdom of Saudi Arabia spends the least on health in the GCC (in terms of government share in total health expenditures), even though it has the highest health expenditure as a share of GDP amongst all GCC countries (5%). It must be noted however, that while this figure is very informative, much data regarding social security funds is missing. The reason for this may be either that

[22] CRI, MOSA, UNDP, 2010. "National Social Development Strategy for Lebanon"

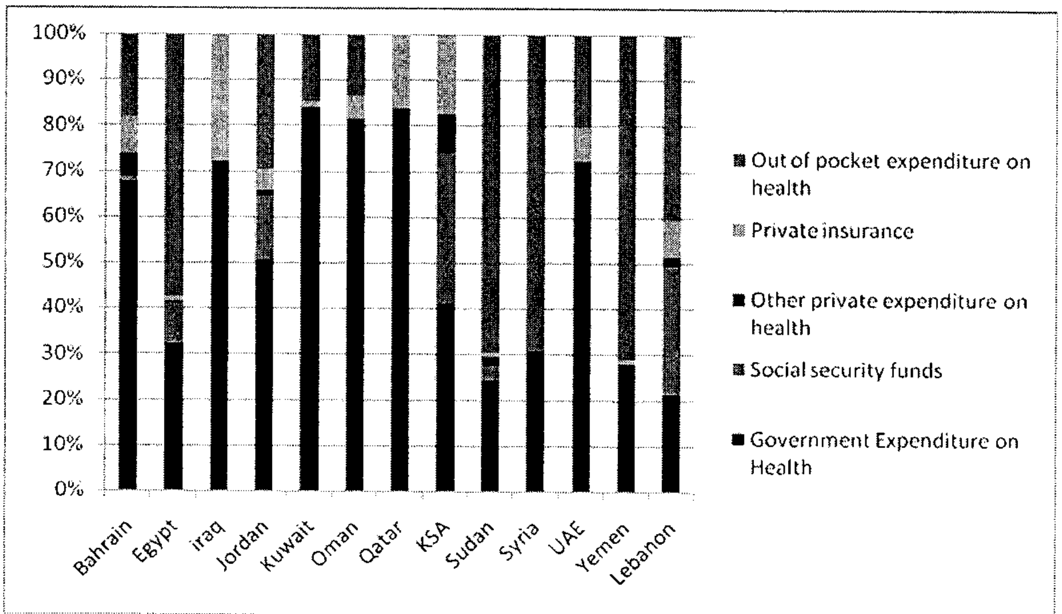
[23] World Health Organization, "Global Health Expenditure Database 2000-2009"

since some of these countries offer universal healthcare and as such do not have a health care fund per se -the expenditure is located within the government share of expenditures- or that the data is not available.

Even though as evidenced from the figure below, Lebanon's social security fund has a significant share of health expenditures in the country, it only covers part of the employed and their families. Indeed, another issue with tying healthcare or medical care to employment is that many individuals work in the informal sector (around 40% in Lebanon[24] and 40% in Egypt[25]), thus being denied access to any health insurance. What worsens the situation in Lebanon is that most of those working in the informal sector are those who are in low paid, high risk jobs thus creating an even bigger gap between the haves and have-nots. Furthermore, employers and self-employed individuals are not covered in this scheme, as they do not have the option of opting in the National Social Security Fund (NSSF) and retirees and pensioners in the private sector lose their healthcare benefits upon retirement. On the other hand, many countries such as GCC ones do not have face this same issue since a universal healthcare scheme is in place.

Further than this, even though the social security fund is a major source of healthcare expenditures in Lebanon (healthcare expenditure represent 32% of the NSSF expenditures)[26], it has been facing a deficit over the last decade mainly due to the decision to decrease contribution rates from 15% to 9% in the Sickness and Maternity branch in 2002. Due to this, the SM branch has been borrowing funds from the End of Service Insurance branch[27]- something which is not permitted in the law. As such, it is obvious that this deficit is not sustainable and reforms should be undertaken to move Lebanon towards a more universal form of healthcare.

Figure 4 Distribution of health expenditures by source[28]



The countries with the lowest GDP per capita (PPP) such as Yemen, Sudan, Egypt etc. have the highest out of pocket (Oop) spending on health. "OoP payments have substantial negative side effects. They may lead to impoverishment and further hardship. The requirement of OoP payments is particularly hard on the poor,

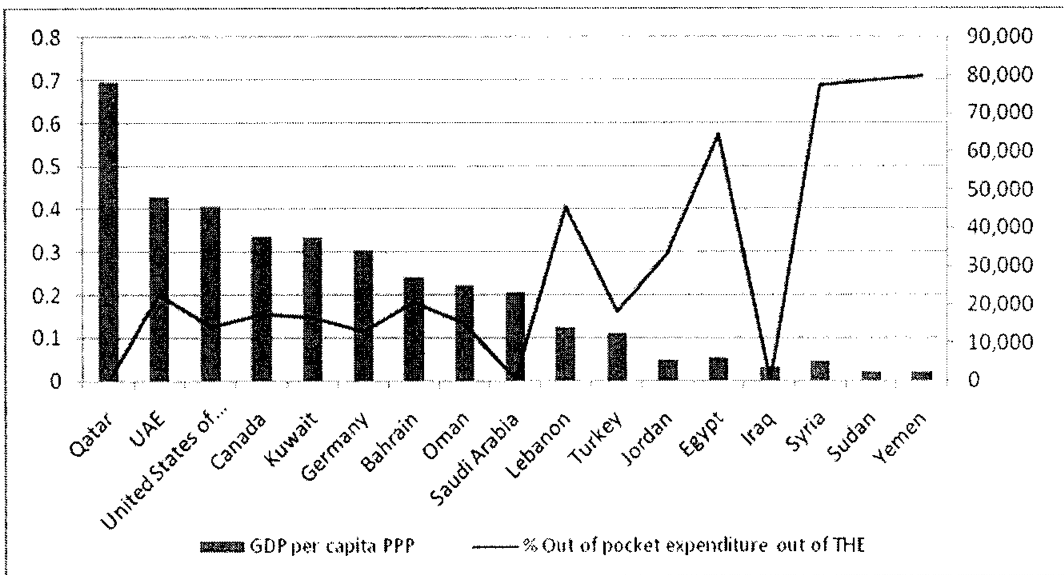
[24] Consultation and Research Institute Estimates
[25] ISSA, 2011. "Reforming Egypt's Social Security System: A vision for social solidarity"
[26] El-Masri, Sawsan "Gaps and efforts in Social Protection, Lebanon" Arab NGO Network for Development
[27] CRI, 2008. "Towards Financial Equilibrium in the Sickness and Maternity branch of the National Social Security Fund: Short and Medium term suggestions for the achievement of Financial Sustainability"
[28] WHO, Global Health Expenditure Database 2000-2009.

whose illness will either remain untreated or force patients into deeper poverty."[29] Often times, in these cases, there is less expenditure on preventive medicine and more on hospitalization and curative healthcare[30]. Indeed, poor households usually tend not to seek the care they need until it's too late or until they have no other choice. This leads to many people dying of what otherwise are very treatable illnesses. In Lebanon for example, free hospitalization is provided by the Ministry of Health in government hospitals, as well as very few basic outpatient services. Other than the fact that adequate healthcare is an essential human right as well as a civil right it is also beneficial to the country on the whole on an economic level. "Healthy, well educated populations have very productive impacts on the economy."[31]

What is interesting however is the fact that Syria does provide free healthcare to its citizens as "Services are offered free of cost to all the citizens at government clinics and health centers."[32], and yet, out of pocket expenditures on health are much higher than government expenditures on health. A reason for this could be the quality of coverage rather than the extent of coverage. Do more people opt to use private health facilities?

"Lower-income countries have higher private health expenditure than public, but the ability to sufficiently cover necessary health expenditure from private sources is limited to the wealthier sections of their populations and thus cannot compensate for low public expenditure in coming closer to universal coverage."[33]

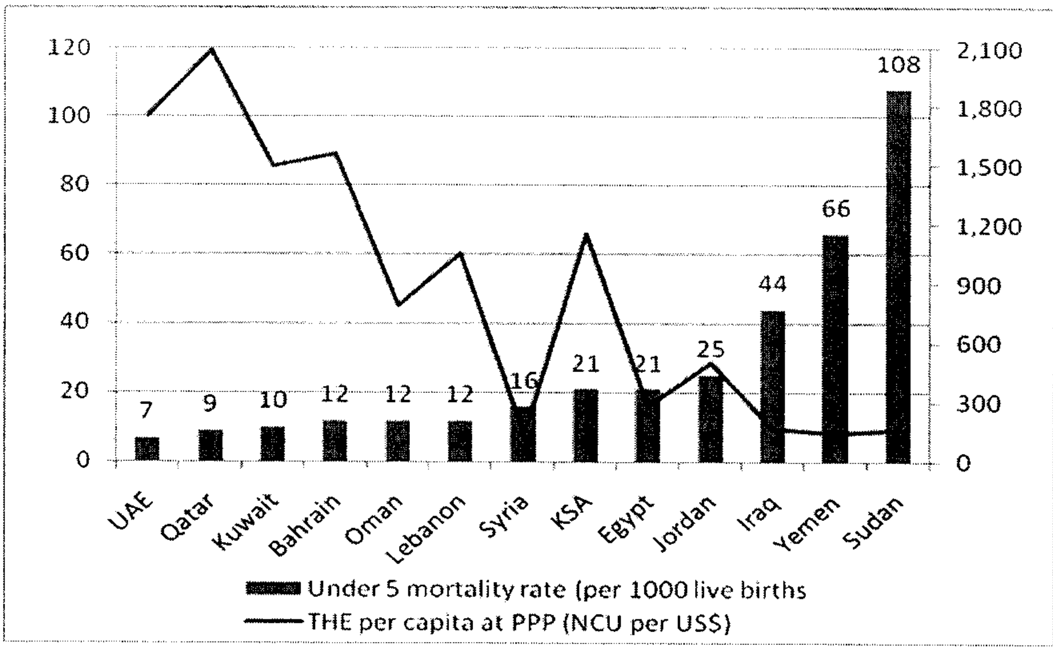
Figure 5 Out of Pocket Spending in relation to GDP per capita[34]



The countries – mostly GCC- which offer universal public healthcare to their citizens and sometimes foreign residents reveal better health indicators than those who do not. In fact, the Bahraini[35] and Kuwaiti[36] government provide free primary, secondary and tertiary healthcare to their citizens.

[29] Lorenz. C, "Out-of-pocket household health expenditures and their use in National Health Accounts: Evidence from Pakistan", Asia Health Policy Program working paper #9, Stanford University
[30] CRI, MOSA, UNDP, 2010. "National Social Development Strategy for Lebanon"
[31] UNDP, 2009
[32] WHO, 2006, "Health System Profiles Syria"
[33] ILO, 2010. "World Social Security Report: Providing coverage in times of crisis and beyond"
[34] GDP per capita, IMF, 2011. "World Economic Outlook", Health expenditures, WHO, "Global Health Expenditure Database 2000-2009"
[35] Ministry of Health, Kingdom of Bahrain, 2008. "Country Case Study: Bahrain Healthcare financing"
[36] WHO "Health System Profile Kuwait"

Figure 6 Comparison child mortality Rates vs. Per Capita Health Expenditure[37]



Universal healthcare is lacking in most countries of the ESCWA region and more specifically in oil importing countries. In many cases social insurance is linked to employment, leaving the most vulnerable without any coverage. In fact, the poorest countries seem to have the highest out of pocket expenditure on health. The GCC countries, considered resource rich labor poor countries are among the few who provide free good quality healthcare to their citizens which constitute 18% of the ESCWA region population, while they constitute 61% of the ESCWA region GDP. These oil exporting countries however are in a unique position to finance such schemes. "Improvements in health, nutrition, education and life expectancy were shown to contribute to labor productivity and economic development [...] Neglect of the social dimension can have disastrous consequences on global growth and development"[38]. Following from this, it is obvious that the issue is not only one of financial sustainability for these health systems, but of societal sustainability.

B. PENSIONS[39]

All ESCWA countries have mandatory public pension schemes on a pay-as-you-go basis for at least part of the labour force. Pension schemes in Qatar and the Palestinian territories only cover government employees. In Lebanon, employees in the private sector are not covered by a pension scheme but only by an end-of-service-indemnity, which consists of a lump sum after retirement[40].

Most of the ESCWA countries have set up their pension schemes towards the end of the twentieth century. The Egyptian pension scheme is the oldest in the ESCWA region. It was established in 1955 and was followed by Jordan (1956), Iraq (1956) and Syria (1959). Most Gulf countries followed in the 1970s with KSA being the first to set up a social security scheme in 1969, followed by Oman, Kuwait and Bahrain. UAE and Qatar set up their pension schemes as late as 1999 and 2002 respectively[41].

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37 Health expenditures, WHO, "Global Health Expenditure Database 2000-2009"

38 ESCWA, 2004, p27

39 This section was developed and researched by Ms. Lea Bou Khater,a research associate at CRI

40 World Bank, 2009. "Moving forward with pension reforms in Lebanon" by Sayed H. and David R., *First/Second Quarter* 2009/Lebanon

41 Muhanna &Co. 2006. *Overcoming the Actuarial Deficit in Pension and Social Security Systems in the GCC*, by Pasaras G.

Few major reforms have been introduced to most of the pension schemes in the region knowing that most of them are characterized by major deficits affecting their efficiency and sustainability. The following section delves into the problems that are common to the region's pension schemes.

1. Problems of the pension schemes in ESCWA countries

(a) Fragmented schemes and high administrative costs

None of the ESCWA countries have one comprehensive pension scheme that covers all workers. Instead, pensions are characterized by the duality of their systems, which cover civil servants on one hand and the private sector on the other hand. The military may have separate funds (Egypt, Yemen) or join the same funds as civil servants (Bahrain, Iraq, and Lebanon). Some countries have created schemes for the self-employed and part-timers such as Yemen and Egypt. Thus, pension schemes in the ESCWA region tend to be highly fragmented which implies high administrative costs and a complicated transfer process of pension rights. The administrative costs of schemes draw on a large share of the revenues i.e. 11% of pension spending in Jordan cover administrative costs, 25% in Bahrain and up to 50% in Oman and Yemen (Table 1). In addition to the high administrative costs, the fragmentation of the pension schemes makes it complicated and sometimes impossible to transfer from one pension scheme to another which limits the mobility of the labour force[42].

(b) Low coverage rates

Most workers in ESCWA countries remain uncovered by a formal pension scheme. Only Jordan and Egypt have coverage rates exceeding 30% of total workers. The effective coverage rates in Gulf States are very low and range between 5 and 30% despite the fact that these are oil-exporting countries and high-income economies[43]. Iraq and Yemen suffer from a very low coverage rate of 18.4% (2003) and 13.1% (1999) respectively[44].

One reason for the modest coverage rates is that many workers are excluded from pension coverage by law such as the self-employed, part time workers and agriculture workers. Thus, the relatively high coverage rate in Egypt (92.4%) could be explained by the fact that Egypt offers special pension schemes to the self-employed, to Egyptians working abroad and to casual workers. No coverage of migrant workers in ESCWA countries which is especially a problem in Gulf States, etc. In Gulf States, foreign workers, even formal ones, are not covered by any pension schemes knowing that migrant workers make up more than 70% of total labour force.

Another reason is the lack of incentives for workers and employers to comply with the pension systems. Despite the relatively generous benefits, workers tend to doubt the ability of the system to deliver the promised benefits. Countries usually impose penalties for non-compliance with mandatory pension schemes however the enforcement capacity is weak. Hence workers tend to evade from enrollment due to their doubts in the capacities of the system while employers tend to evade paying contributions. As a result, a considerable number of households are not covered and remain vulnerable to disability sickness and old age poverty.

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[42] UNRISD. 2009. *Pension Schemes and Pension Reforms in the Middle East and North Africa*, Loewe M., Draft Working Document, Geneva.
[43] Muhanna &Co. 2006. Overcoming the Actuarial Deficit in Pension and Social Security Systems in the GCC, by Pasaras G.
[44] Drobalino, D., 2005. "Pensions in the Middle East and North Africa: Time for change", The World Bank: Washington.

Table 1 Characteristics of public pension schemes in certain ESCWA countries

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bahrain	60	55	40	15	60	25
Egypt	60	60	40	10	67	4
Jordan	60	55	45	15	75	11
Kuwait	50	50	47	15	95	3
Oman	60	60	45	15	75	48
Saudi Arabia	60	55	43	10	75	...
Syria	60	55	43	15	75	...
Yemen	60	55	50	15	85	50
Lebanon				20		

Source: UNRISD. 2009. *Pension Schemes and Pension Reforms in the Middle East and North Africa*, Loewe M., Draft Working Document, Geneva.

(c) Financially unsustainable pension schemes
Generous pension benefits

Pension schemes in ESCWA countries are considered relatively generous in terms of replacement rates, minimum pensions, minimum years for full pension, etc. However, one should note that wages – one of the main factors of pension calculations - in most ESCWA countries are considerably lower than OECD and EU countries, which reflects on the level of calculated benefits that turn out to be not so generous.

The benefits of the schemes usually exceed contributions and invested reserves, which renders the pension schemes financially unsustainable. First, the rates of return of pension schemes in ESCWA are relatively high. After 30 years of contribution, a pension salary is equal to 75% of the last salary in Jordan, Oman, Saudi Arabia and Syria, 85% in Yemen and 95% in Kuwait. In comparison, the gross average replacement rate stands at 57.3% in OECD countries and 61.6% in EU countries[45] (Table 2).

Table 2 Gross pension replacement rates by average earnings - 2011

Major economies	Median earner	Average earner
OECD-34	60.6	57.3
EU-27	62.9	61.6
China	82.5	77.9
India	72.4	65.2
Argentina	81.1	78.1
Brazil	85.9	85.9
Indonesia	14.1	14.1

Source: OECD.2011. Pension Systems, *Pensions Indicators*, Directorate of for Employment.

The early retirement benefits are also high and granted at a very early age. Most of ESCWA allow members to take their pension early in their lives, as early as 40 years for Bahrain and Egypt and 43 for Syria and Saudi Arabia without any reduction on their old-age pension as long as they have contributed between 10 to 15 years (Table 1).

45 OECD.2011. Pension Systems, *Pensions Indicators*, Directorate of for Employment, Labour and Social Affairs, [Available online: http://www.oecd.org/document/16/0,3746,en_2649_34757_45558288_1_1_1_1,00.html]

Furthermore, minimum pensions are set at high levels in most schemes in the ESCWA region. Minimum pension consists of 50% of last income in Egypt, Jordan and Yemen and up to 65% in Kuwait. For benchmarking purposes, the majority of ESCWA countries' minimum pension stands above or close to 30% of average earnings (44% in Bahrain, 42% in Egypt and 37% in Jordan) while it stands below 30% in most OECD countries (23.3% in France, 10.5% in UK and 27.4% in Spain)[46].

(d) Poorly designed pension schemes

On another level, in general pension schemes in the ESCWA region are poorly designed. Pensions are calculated based on the last salary of the beneficiary, which constitutes an incentive for both employers and employees to give false income declarations. They could underreport the early salaries, which would lower their contributions, then overstate the last salary in order to increase their pension. Countries such as Egypt, Jordan and Yemen are trying to contain the occurrence of false declaration by monitoring the ratio between the last and previous wages and taking the difference into consideration in benefit calculations.

Also, most of the schemes give incentives for early retirement. For instance, in Bahrain early retirement (at 45 years) has a return rate (8%) higher than old age (65 years) retirement which stands at (4%). The same applies for Jordan, with a return rate of 7% for early retirement and only 3% for males retiring at 70 years old. Moreover, contributors have higher return the later members join certain pension schemes. In Bahrain for instance, a male joining a pension scheme at 25 years old has a return rate of 6% while it is 8% if he joins at age 35[47].

(e) Inadequate contribution rates

Pension benefits often exceed contributions and the invested capital. The generous benefits of most of ESCWA countries are accompanied with inadequate contributions. The contribution rates are in general below 20%, which corresponds to the average contribution rate in 25 OECD countries. Kuwait for instance has recently increased the contribution rate of the Public Institution for Social Security (PISS) to 25%. The same applies to KSA, which increased the contribution rate from 13% to 19%[48] (Table 3).

Table 3 Pension Contribution rate (per cent gross earnings) 2009

Bahrain	12		
Egypt	31	13	17
Jordan	14.5	5.5	9
Kuwait	25	5	20
Lebanon	21	7	14
Oman	18		
Saudi Arabia	18	9	9
Syria	21	7	14
Yemen	12	6	6
Argentina	23.7	11	12.7
Brazil	31	11	20
China	28	8	20
India	24	12	12
OECD34	19.6	8.4	11.2
EU27	22.5	7.9	14

Source: Social Security Online. 2010. *Social Security Programs throughout the World 2010;*

46 OECD.2011,*Pension at a glance 2011: Retirement-Income Systems in OECD and G20 Countries*, p.109
47 Drobalino, D., 2005. *Pensions in the Middle East and North Africa: Time for change*, The World Bank: Washington.
48 Muhanna & Co. 2006. *Overcoming the Actuarial Deficit in Pension and Social Security Systems in the GCC*, by Pasaras G.

Saudi Arabia

Key indicators
Average earnings: 8 700 USD
Life expectancy at birth: 73.1
Population over age 65 (% of working age population) : 5.3

Pension system in 2008
Employees in the public and private sectors. Voluntary coverage for persons who are self-employed, are working abroad, or no longer satisfy the conditions for compulsory coverage.

Qualifying conditions
Age 60 (men) or age 55 (women) with at least 120 months of paid or credited contributions

Benefit calculation
Old age pension
The pension is based on 2.5% of the insured's average monthly earnings during the last 2 years for each year of contributions, up to 100%.

Old-age settlement
A lump sum is paid equal to 10% of the insured's average monthly earnings during the last 2 years before retirement for each month of the first 5 years of contributions plus 12% for each additional month.

Early retirement
At any age with at least 300 months of contributions and if no longer covered by the program; at least 120 months of contribution if sentenced to prison for 1 or more years.

Source : OECD. 2011. [Available online : www.oecd.org/els/social/pensions/PAG]

OECD.2011, *Pension at a glance 2011: Retirement-Income Systems in OECD and G20 Countries*, p.153

(f) Large implicit debts

In the context of the abovementioned characteristics of pension schemes, most ESCWA countries have large implicit pension debts. The implicit pension debt constitutes the total payment to be made to plan members if the pension schemes are to settle payments today. None of the pension schemes in ESCWA are financially sustainable despite the relatively young population. Even without an ageing population, pension schemes in the region will be facing financial problems taking into consideration a very high implicit return on contributions. The demographic changes will only exacerbate the financial problems of the pensions schemes[49].

Most schemes have accumulated pension liabilities which surpass the invested reserves. For the majority of schemes in the ESCWA region the implicit pension debt has already surpassed 50% of GDP and stands at 90% in West Bank and Gaza and 175% of GDP in Jordan while the assets stand at 25% of GDP. It is to be noted, that ESCWA countries have considerable reserves which however do not come close to the size of the pension debt and therefore do not provide financial sustainability to the schemes. These high implicit debts could lead to spending cuts on other categories as well as higher contributions and lower benefits for future generations[50].

[49] Drobalino, D., 2005. "Pensions in the Middle East and North Africa: Time for change", The World Bank, Washington.
[50] Drobalino, op.cit,

In Jordan, "current surpluses [in the social security corporation] are due to the fact that the system has not matured yet. Given the system's current design, benefit payments will exceed contribution revenues in 2024 and capital reserves will be exhausted by 2042."[51]

The Kingdom or Bahrain will also face a deficit in its system if reforms are not implemented. In fact, the financial statement of the Bahraini social security fund for fiscal year 2008 shows an actuarial deficit reaching 5 billion dinars thereby indicating a clear sustainability problem.[52]

As for Egypt, "the estimated cost to the [Egyptian] government of financing the actuarial deficit alone is expected to reach around 2.5% of GDP by 2027"[53]

(g) Inefficient investment policies

Most of the pension schemes have inefficient investment policies. There is high asset allocation in fixed deposits with very low capital income. Moreover, investments are geographically concentrated in local markets which render the assets vulnerable to the condition of the local markets. Accordingly, the liquidation of assets for the payment of due benefits constitutes a major risk on the economy as it may cause the collapse of the local markets.

Pension schemes in the ESCWA region are generous in their benefits (replacement rate), they are however unsustainable. One of the main reasons for this un-sustainability is the fact that the contribution rates to maintain such benefits are quite low. In addition to this, they have low coverage rates. Only a small proportion of the labour force is able to enjoy these benefits, as many individuals are excluded either due to their work status (self-employed, employers) or due to the fact that they work in the informal sector

C. UNEMPLOYMENT AND DISABILITY

1. Unemployment

Unemployment compensation programs are intended to provide unemployed individuals with a monthly income for a limited period of time. They are supposed to replace the income lost upon becoming unemployed.[54] There are generally two types of programs, unemployment insurance and unemployment assistance. Unemployment insurance provides coverage to a larger share of society as it is intended as a right to any unemployed person. Unemployment assistance on the other hand is intended to keep vulnerable households out of poverty, it is more means-tested.[55]

This form of social protection is direly needed in this region in view of the relatively high unemployment rates in most of its countries. Unemployment is especially high among the youth reaching around 25% in the MENA region which is much higher than the world average estimated at 14%[56]. Despite this however, only a few ESCWA countries have in place an unemployment fund. One of these countries is the Kingdom of Bahrain who introduced this scheme in 2007. The establishment of the Unemployment Insurance System is credited for playing an important role in reducing the country's unemployment rate which reached around

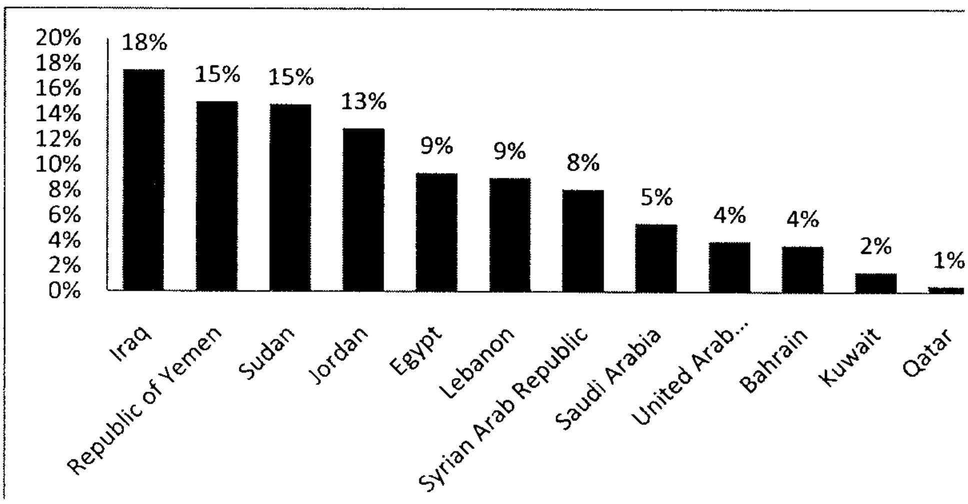
[51] Loewe, Markus, et al. 2001. "Improving the social protection of the urban poor and the near poor in Jordan – the potential of micro insurance"
[52] Social Insurance Organization, 2009. "Annual Report 2008"
[53] ISSA, 2011. "Reforming Egypt's Social Security system: A vision for social solidarity"
[54] ISSA, 2004. "International Evidence on unemployment compensation prevalence and costs" Technical Commission on Unemployment Insurance and Employment Maintenance. 28th ISSA General Assembly, Beijing 12-18 September 2004
[55] World Bank, 2002. "Unemployment Insurance and Unemployment Assistance: A comparison" Social Protection Discussion Paper Series #0203
[56] ESCWA, 2009. Expert Group Meeting on the Global and Economic Crisis: The Social Impact and Response in ESCWA countries Concept Note

15% in 2005. Through this system not only do Bahrainis receive financial support for a period of up to 6 months, but are also given help in job hunting as well as training in some cases[57].

The issue of unemployment is even more pertinent today following the ongoing "Arab Spring" revolutions which have swept the region. Economic stagnation, poverty and high unemployment, especially among the youth, have all been factors which led to the upheavals.

The Arab youths are becoming more and more educated with not only literacy rates increasing but also the number of higher education graduates. As such it is problematic for these young individuals who invest time and money into their education to struggle to get any returns on their "investment", an issue which is even more pronounced for women. Unfortunately, the increase in educated labour force has not been matched with an increase on the demand side of labor market. While the public sector previously absorbed a large part of the workers, especially in countries where the government heavily controls the economy, liberalization policies and the increase in the capitalistic nature of the economies has reduced the demand of this sector. To add to this, the youth of the region do not have the same opportunities as before in terms of migration. With the import of cheaper labor from Asian countries to the GCC, these young individuals are finding their opportunities diminishing at home and abroad. All of the mentioned above reasons illustrate the dire need for unemployment compensation schemes

Figure 7 Unemployment rates in the ESCWA region[58]



Despite the fact that it has been shown over time that per capita GDP is positively correlated with the presence of an unemployment insurance system, the same does not apply to the Middle East region. In fact "unlike other regions, the association between income and having unemployment compensation in this region is, if anything negative." [59] The higher the GDP per capita the more likely it is that the country does not have an unemployment scheme. The oil exporting countries of the region are more likely not to have an unemployment insurance scheme (with the exception of Bahrain), than the oil importing countries with lower per capita GDP. A reason for this may be the high presence and employment of migrant workers.

Based on the fact that countries with a high per capita GDP are more likely to have an unemployment scheme, then there is something to be said about the lost opportunities of ESCWA countries. An unemployment compensation scheme may act as a tool for income distribution which may also increase and improve growth rates. By providing an income to those who have none, then you are allowing them or rather

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[57] Gulf News "Bahrain's unemployment rate down to 3.7%"

[58] Unemployment rates have been obtained from various sources: IMF World Economic Outlook , World Bank data, and Ministries reports. They vary between the years of 2006 and 2009.

[59] ISSA, 2004. "International Evidence on unemployment compensation prevalence and costs" Technical Commission on Unemployment Insurance and Employment Maintenance. 28th ISSA General Assembly, Beijing 12-18 September 2004

giving them the opportunity to spend more thus generating more economic activity. The lack of an unemployment scheme may have had a negative impact on the growth rates of ESCWA countries.

In addition to Bahrain, two oil importing countries have an unemployment compensation scheme, one of which is very new. These two countries are Jordan and Egypt. Nevertheless, Bahrain differentiates itself by the fact that it provides unemployment benefits to new entrants to the labour market, i.e. individuals who have not yet contributed to the social security system. This is significant considering that most new entrants to the labour market are young adults, and as previously noted there is a high youth unemployment rate in the region. Despite this, the government's share in the unemployment insurance amounts to 0.5% of total spending in 2009 and 2010, which is probably a result of the very low unemployment rate in the country.[60]

Table 4 Unemployment Insurance Systems in ESCWA region

Coverage	Employees older than age 16 working in private establishments with at least 5 workers.	Civil servants (regardless of nationality), private-sector employees (regardless of nationality), and first-time job seekers (Bahraini citizens only).	Employed persons in the public and private sectors.
Source of Fund	**Insure Person:** 0.5% of monthly earnings **Self Employed**: Not applicable **Employer:** 1% of payroll **Government**: Any deficit	**Insured person**: 1% of total monthly salary **Self employed**: Not applicable **Employer**: 1% of the employee's monthly salary **Government**: 1% of employee's total monthly salary	**Insured person**: None **Self employed**: N/A **Employer**: 2% of covered payroll **Government**: Any deficit
Benefits	**Unemployment cash benefits:** Paid for up to 3 months with contributions of less than 180 months; up to 6 months with contributions of 180 months or more. 75% of the covered wage is paid for the first month; 65% for the second month; 55% for the third month; and 45% for the fourth to sixth months.	**Unemployment benefits:** 60% of the average earnings in the last 12 months. The maximum unemployment benefit is 500 dinars. The benefit is paid for up to 6 months **Unemployment aid**: 150 dinars for persons with academic qualifications or 120 dinars for other unemployed persons. The benefit is paid for up to 6 months.	**Unemployment benefit:** The benefit is equal to 60% of the insured's last monthly wage and is paid after a 7-day waiting period for up to 16 weeks; may be extended to 28 weeks if contributions have been paid for the last 24 months

In terms of coverage, and similarly to other aspects of social security in these countries, the self-employed are excluded from this fund as are employers, and those working in the informal sector.

Similarly to most of its social security fund, the Jordanian government is expected to cover any deficit. This form of security and insurance provided by the government contributes to the stability of the fund and guarantees its benefits. The same applies for Egypt following the amendments it has made. While on the one hand it important to have the government finance any deficit, i.e. for the burden to fall on the government rather than on the fund itself, it is also not a long term viable solution especially when both the Jordanian and Egyptian governments are subject to severe public financial deficits.

In terms of benefits received, the Bahraini benefits seem to be the most generous with 60% of average earnings being paid for a period of up to 6 months, whereas in Egypt it is only for a period of 4 months,

[60] Ministry of Finance, Bahrain, 2010. "Government Budget 2009-2010"

which sometimes may be extended to 7 months. Jordan on the other hand starts off with a high benefit (75% of the covered wage) in the first month however it quickly decreases to 45% in the fourth to sixth month of unemployment.

2. *Disability*

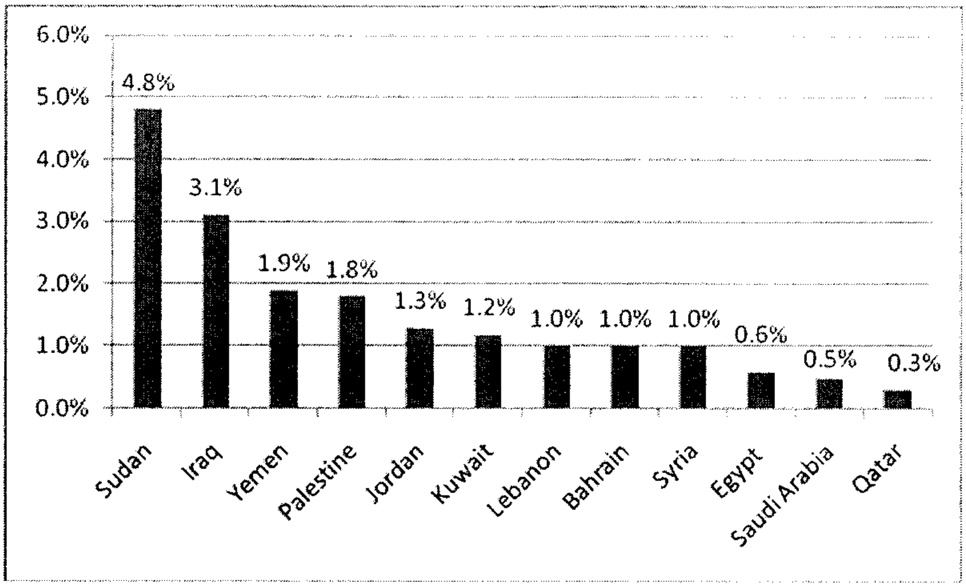
There exists much discrimination against people with disabilities in Arab countries. While in theory there are equal rights to all citizens, in practice, such rights do not exist and people with disabilities do face social and economic exclusion. As such, individuals born with disabilities or who have become disabled prior to working will struggle to enter the labour market in the region. In many cases this sort of discrimination is prevented by law, however the implementation of such laws remains weak.
"Work-related disability in government sponsored or mandated programs, such as disability insurance schemes, is usually defined for cases in which the underlying condition and subsequent impairment prevent the affected individual from performing work that the individual would otherwise be qualified to undertake."[61]

Data regarding the magnitude of disability in the Arab region is lacking. Estimates in 2005 place the number of disabled at 4% of the ESCWA region population; a share relatively higher than the rest of the world.[62] A reason which hampers the collection of data on the disabled is the lack of agreement on a single common definition of disability. This definition varies widely across countries and systems. Without a common definition it is not possible to have a comprehensive and comparable form of measurement.[63] Moreover depending on the definition of disability adopted in countries there may be an over exclusion or over inclusion of individuals receiving benefits.

According to the World Health Organization, disability is defined as "an umbrella term, covering impairments, activity limitations, and participation restrictions. Impairment is a problem in body function or structure; an activity limitation is a difficulty encountered by an individual in executing a task or action; while a participation restriction is a problem experienced by an individual in involvement in life situations. Thus disability is a complex phenomenon, reflecting an interaction between features of a person's body and features of the society in which he or she lives"[64] This definition however is not adopted by many ESCWA countries who have their own definition in their laws. In fact, figure 8 below represents the prevalence of disability in ESCWA countries which seem to be quite low. This however does not entail that there is a small minority of individuals with disabilities. This is mostly a reflection of the narrow definition used by these countries in their surveys and questionnaires. In fact, the number of persons with disability in Iraq is estimated to be three times higher than that reported officially.

[61] World Bank, 2005. "A Note on Disability Issues in the Middle East and North Africa", Human Development Department Middle East and North Africa
[62] ESCWA, 2005. Weekly News, March 2005, Issue12/52
[63] ESCWA, 2010. "International and Regional Practices favoring the inclusion of persons with disabilities in the labour market"
[64] ibid

Figure 8 Prevalence of Disability in ESCWA countries for different years[65]



Most ESCWA countries do offer some form of disability benefit, provided it is caused by a work related injury however. Here again, access to protection is linked to employment. And even then, the benefit received does not compensate for the income lost often times. As a result, disability that affects the breadwinner presents a high risk for a household to fall into poverty. "There is growing evidence on the relation between poverty and disability."[66] It is more likely for disabled individuals to fall into poverty and it is more likely for individuals living in poverty to become disabled as opposed to non poor individuals. There are normally various kinds of disability compensation schemes; the most common in the ESCWA region are disability pension and disability benefits (for temporary, permanent and partial disabilities). Disability pension is usually for individuals younger than the age of retirement who cannot work anymore due to their disability (whether work related or not). They must however have accumulated a minimum number of months in which they contributed to social security. That threshold is normally much lower than that of old age pension.

Disability benefits which are usually under the category or work injury apply to individuals who become partially, temporarily or permanently disabled during the course of their job.

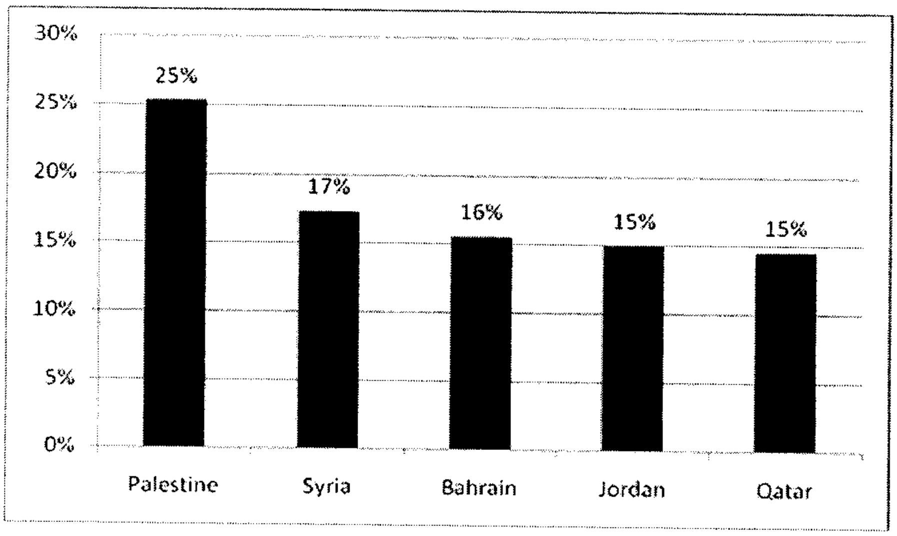
Based on the benefits offered to those who suffer from a disability due to a work injury, Lebanon seems to offer the least generous benefits with only 33% of monthly earnings paid for a permanent disability. Most ESCWA countries have a benefit equaling at least 75% of the insured's monthly earnings in case of a permanent disability. Evidently, those with a temporary disability may receive 100% of their wage as compensation since it is not long lasting and thus does not need to be sustained for a prolonged period of time[67].

As evidence from the figure 9, only a minority of disabled individuals aged 15 years and above are actually employed, entailing that the majority of disabled people do not get the above mentioned benefits. It is more likely that the majority of disabled individuals in the MENA region receive aid in terms of social assistance, if any, rather than in the form of social insurance or universal welfare. However, "the integration and accommodation of persons with disabilities into the labor market are important ways to reduce both public expenditures and costs borne by families [...]"[68] In several countries around the world, governments provide

[65] ESCWA, 2010. "International and Regional Practices favoring the inclusion of persons with disabilities in the labour market"
[66] World Bank, 2005. "A Note on Disability Issue in the Middle East and North Africa
[67] Social Security Programs Throughout the world 2010
[68] World Bank, 2005. "A Note on Disability Issues in the Middle East and North Africa", Human Development Department Middle East and North Africa

incentives to employers who hire disabled individuals. Wage subsidies, tax subsidies and even financial support are offered to employers in some countries such as Cyprus and Czech Republic. "Sweden. In Cyprus, employers are offered coverage of up to 60 per cent of an employee's wage for a year to implement vocational rehabilitation and reasonable adjustments at the workplace."[69] ESCWA country governments could undertake similar measures to secure the employment of individuals with disabilities.

Figure 9 Proportion of persons with disabilities (15+) who are employed[70]



Disability protection, or rather benefits are a prime example of how the most vulnerable members of society are being excluded from social protection due to their lack of inclusion in the labour market. As shall be seen below, cash transfer schemes are not widespread as most of the governments in the region rely on food subsidies instead, or on civil society to care for those less fortunate.

Generally no data exists in developing countries regarding social protection expenditures on disability. However, as a point of reference, it is useful to mention OECD expenditures. "For OECD countries an average of 1.2% of GDP is spent on contributory and non-contributory disability benefits, covering 6% of the working age population in 2007. The benefits include full and partial disability benefits, as well as early retirement schemes specific to disability or reduced work capacity."[71]

Only 3 of the 14 ESCWA countries have an unemployment compensation scheme and only one of them – namely Bahrain- offer unemployment aid to first time job seekers. In terms of disability benefits, most countries offer compensation to individuals in the labour force. However, those who are victims of a disability prior to entering the labour market receive little help or support. This is problematic since disable individuals face much discrimination in the Arab region, and are more to live in poverty than individuals without a disability.

D. SOCIAL ASSISTANCE IN ESCWA COUNTRIES

Social Assistance in social protection, better understood as safety nets is generally a non-contributory transfer aimed at the most vulnerable individuals in society. In developed countries, social assistance is usually a residual category rather than the main form of social protection similarly to developing countries.

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[69] ESCWA, 2010. "International and Regional Practices favoring the inclusion of persons with disabilities in the labour market"
[70] ESCWA, 2010. "International and Regional Practices favoring the inclusion of persons with disabilities in the labour market"
[71] WHO, 2011. "World Report on Disability"

Since there is a minority of individuals in developing countries covered by social insurance, social assistance becomes the main form of protection. The types of safety nets available in society are usually[72]:

- Cash transfers or food stamps, whether means tested or categorical as in child allowances or social pensions
- In-kind transfers, with food via school feeding programs or mother/child supplement programs being the most common, but also take-home food rations, school supplies and uniforms, and so on
- Price subsidies meant to benefit households, often for food or energy
- Jobs on labor-intensive public works schemes, sometimes called workfare
- In-cash or in-kind transfers to poor households, subject to compliance to specific conditionalities on education or health
- Fee waivers for essential services, health care, schooling, utilities, or transport

Even in places where universal schemes are available, cash transfer schemes have been put in place to "catch" those who have fallen through the cracks. The popularity of these safety nets grew further with the rise of neoliberal ideology and the shift towards more targeted spending for those most in need, as opposed to universal equal spending for all. In that way, one minimizes the role of the state in social protection with the intention of relieving the state budget. NGOs and community based transfers, family and kinship assistance all count as part of social assistance within the social protection framework. However, as has been previously noted, these are out of the scope of this report. Instead, the focus will be based, as much as is possible, on data availability on the government's social assistance schemes and expenditures.

"Targeting is often identified as more equitable and progressive than universal policies that transfer resources equally to all members of society. In theory, limited resources earmarked for social transfers would be used in the most efficient way when allocated to a designated subgroup of the population, generally excluding those not in need and concentrating resources on the poor."[73] Instead of giving assistance to those who have sufficient means, the aim is to target the spending thereby effecting a pro-poor distribution of social services. Similarly to social insurance schemes, social assistance programs cover issues such as old age, disability, health etc. but in a more targeted manner.

While there are several studies which tend to evaluate safety net schemes positively based on the fact that they are seen to transfer more to the poor than universal schemes would, these studies have been severely criticized. One of the major criticisms of these studies lies in the underreporting of the under-coverage in these schemes[74]. "Egypt's direct income transfer programmes [for example] are well targeted and efficient but too small in scale and scope to have any substantial effects on poverty levels... and 80% of the needy receive no assistance at all."[75] In addition to this, it must be noted that the administrative cost and capacities required in order to identify with precision "the poor" often prove to be too high for developing countries. Without an exact precise mechanism of identification there are high chances of having inclusion and exclusion errors. "Spending on social safety nets tends to be correlated with government size, but is generally negatively correlated with fiscal deficits and inflation. This is because countries with unstable macroeconomic conditions are more likely to have insufficient resources to finance the social safety net (de Ferranti and others 2000)."

Even though NGOs, community centers, kinship assistance have been discounted from the operational definition used in this paper, it is nevertheless important to make note of them. Often time, NGOs play the role of the state by caring for individuals who have fallen through the cracks of government programs. By guaranteeing and providing services to the most vulnerable and needy, these agencies are in fact taking over the role of the government. The main issue with such forms of social assistance is that they are subject to aid

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[72] World Bank, 2008. "Levels and Patterns of Safety Net Spending in Developing and Transition countries" SP Discussion Paper, No 0817

[73] UNRISD, 2007 "Successful Targeting? Reporting Efficiency and Costs in targeted poverty alleviation programmes"

[74] ibid

[75] Loewe, Markus. "Social Security in Egypt: An Analysis and Agenda for Policy Reform" Working Paper 2024

money and as such to the whim of donors and international agencies. As such, funding is also an issue for these agencies who may end up not having the finances to maintain the same level of assistance they currently provide.

When attempting to calculate the spending on social assistance in the different ESCWA countries, several obstacles are faced. First off, several of the countries do not have their annual government budgets online. Second those who do are not always systematic. Third the level of disaggregation in social spending is not sufficient in these budgets in order to assess the expenditure on social assistance in particular. In addition, "data on the budgetary costs of [...] subsidies, which include outlays for subsidies and foregone revenues are scarce"[76] Further than this, cash transfers and safety nets are not widely spread in the MENA region, as such limiting data availability on the matter also.

In any case, there is something to be said about the fact that comparing and assessing social assistance schemes in countries might be misleading. Governments may have several policies which have social benefits and repercussions but are not considered within the realm of social assistance. Instead of offering food subsidies for example, governments may increase the minimum wage in a country. Such a policy is discounted from a government's social spending but in fact may have even more positive impact on the population than subsidies and cash transfers. Another policy government may implement decreasing taxes, increasing import restrictions etc. As such, estimating the expenditures of a government who provides cash transfers to the poorest members of society and in return who might not offer free public education or free healthcare may be misleading.

In Bahrain, food subsidies (on flour, lamb and beef, and chicken) represented 2% of total government expenditures in 2009 and 2010, while total subsidies in 2008 (a breakdown of the subsidies is unavailable for that year) amounted to 0.9% of total government expenditures. It is estimated that food subsidies will represent 2.6% of total expenditure in the fiscal year 2011, a slight increase from the previous two years. In addition, according to the Bahraini government, total subsidies in 2011 (which include: Social Welfare Fund, Electricity and Water Authority, University of Bahrain High Council for Vocational Training, Teachers' College, Bahrain Polytechnic, Food subsidies, Royal Charity Organization, Housing Programme Support, Reduce Cost of Living and Bahraini Family Subsidy) amount to 27% of total government expenditures. However, by social assistance definition many of these components should not be included. As such, when recalculating the spending to only include food subsidies, housing, Charity and Social Welfare, Reduce cost of living and Bahraini Family subsidy then in actuality the social assistance spending consists 14% of total expenditures.

CRI calculations based on Bahrain Ministry of Finance State Budgets 2007-2008, 2009-2010, 2011-2012

Total subsidies in Jordan have been decreasing as a share of total expenditures from 18.3% in 2005, to 6.6% in 2009. In particular, food subsidies in 2009 represented 3.5% of total expenditure while oil subsidies represented 1% of government spending[77]. The decrease of these subsidies does not entail that the government of Jordan is diminishing its responsibility. In fact, the government might have adopted other more efficient policies in order to tackle poverty alleviation. In fact, alongside the decrease in subsidies the Jordanian government increased minimum wages for civil service wages and increased the provision of cash transfers to low income households.[78]

[76] IMF, 2011. "World Economic Outlook Middle East and Central Asia", April 2011
[77] Jordan Ministry of Finance, 2009. "Government Budget"
[78] IMF, 2011. "World Economic Outlook Middle East and Central Asia", April 2011

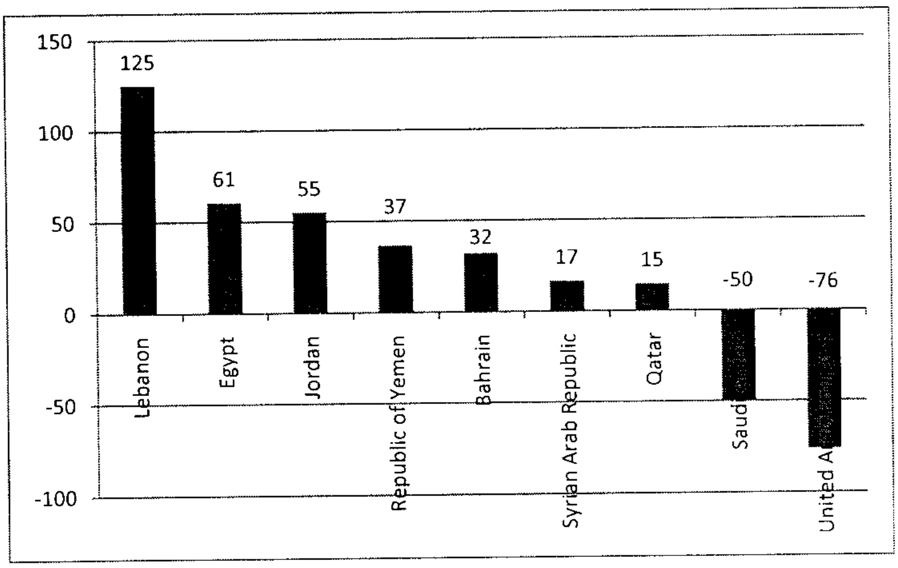
In Iraq, the population heavily relies on the food subsidies provided by the government. In fact, it is estimated that in 2005 it accounts for over 90% of social safety nets in the country. The PDS Food Ration is in fact received by the majority of the population, 25% of who rely on it for basic nutrition and consumption.

In the Lebanese budget on the other hand, it is not possible to determine the breakdown of subsidies. All that is available is Subsidies and Transfers (excluding EDL) which in the 2010 Budget Law Proposal were established at 14% of total government expenditures.

Providing subsidies is in fact spending budget on consumption items rather than investing them in income generating, or productive activities. Rather than providing subsidies there should be more focus on the government to help individuals by creating new job opportunities, increasing wages, providing free compulsory education. All these are investment in the human capital of a country. In times of crisis such measures are more likely to have had long term effect on the income and security of households. Subsidies may on the other hand be decreased or canceled all together, leaving those who previously benefited from them in a worse off situation. As such, increasing subsidies should not replace wage increase policies, which in themselves are not perfect. Generally age increases take place in the public sector, and it is unknown how long the private sector will take to catch up or implement such a change.

The above mentioned measures as well as other 'social assistance' measures "taken by Arab governments, especially in non-oil producing countries, are not sustainable. This is partly because of budget constraints as most of these countries are running serious budget deficits. Moreover, public spending is rigid in nature in these countries—it is dominated by wages and salaries, defense and security spending, and interest payments on public debt."[79] Further than this, except for GCC countries, many of these governments have accumulated a high debt, which entails that their budget is also further constrained by the debt service payments they have to make.

Figure 10 General Government Net Debt as % of GDP 2010[80]



Despite the fact that subsidies dominate the social assistance spending in many Arab countries, it is the recommendation of several international organizations such as the World Bank to replace such subsidies with targeted cash transfers.[81] It is said that subsidies induce wasteful behavior and are not efficient in terms of targeting the neediest. While in Egypt as a consequence of the high food subsidies bread is used to feed

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79 Carnegies Endowment for International Peace, 2008. "The Food Price Crisis in the Arab Countries: Short term response to a lasting challenge" Web Commentary, Ibrahim Saif

80 IMF, World Economic Outlook

81 World Bank, 2006. "Challenges for Social Protection in the MENA region", Michal Rutkowski, Yemen Social Protection Workshop, May 14-16 2006, Sana'a

animals, in Jordan, the IMF estimates that the poorest 40% of the Jordanian population receive the smallest share of fuel subsidies.[82] As had been previously noted however, cash transfers are not immune to criticism regarding effectiveness and efficiency.

A well known safety net in Lebanon is the free hospitalization of those who are not covered by any social insurance. "Actually the Ministry of Public Health is the insurer of last resort. The Ministry is expected to provide a safety net, in the sense that all uninsured persons are entitled to coverage by the Ministry of hospital services and other prescribed therapies"[83]

V. REFORMS

In light of the financial crisis of 2008 as well as the revolutions in many of the Arab countries, governments are undertaking changes to their social protection and welfare systems. Some of the amendments directly affect the social insurance systems while others fall more under the umbrella of fiscal and micro economic reforms. Both these types of changes have social and economic repercussions; they both intend to improve the livelihoods of the people.

While GCC countries – resource rich labor poor- have been and may still rely on their oil to secure revenue for their social protection systems, with the growing demand, price inflations and ageing populations, they could face payment issues unless certain reforms are undertaken.

For oil importers there is no clear answer. These countries which struggle with their economies, face deficits and high debt burdens, which tend to have weak governance and as such loose implementation of the law may not have the same capabilities in terms of tax collection and enforcing contributions.

Most countries admit the need to extend social protection. This section will outline some of the main and most relevant reforms undertaken by some ESCWA members.

Egypt passed law in 2010 which should be put into full force by 2012 reducing contribution rates from 14 to 11, and those with higher salaries will pay more while those earning under 3000 EGP will contribute less. They are also implementing, in line with World Bank policies a new pension system based on individual accounts. This is intended "to discourage evasion and create a direct link between benefits and contribution whilst maintaining a traditional social insurance principle of solidarity." It is also intending to Increase retirement age to 65.[84] Following the revolution also, a 15 percent increase in government wages and pensions have also been announced as well as a higher budgetary allocation for wheat imports.

Jordan has been at the forefront of changes and amendments to social protection. In 2010 Jordan passed a law to increase coverage of its citizens, to create an unemployment compensation scheme, and even included voluntary access for those who are not normally covered (self-employed, housewives etc.) While many of these reforms have yet to be implemented they nevertheless show potential and hope. In addition, while Jordan has been moving away from subsidies, it has introduced them yet again in order to avoid the same fate as other overthrown governments in the region. Further than this it had increased civil service salaries and pensions.

Syria is planning on introducing an unemployment compensation scheme which will also provide training to unemployed individuals to help them find jobs. Other measures in Syria are to increase public sector employees allowances, increasing cash transfers to the poor and reducing some taxes on certain food imports. In addition the government, following the ongoing upheaval has announced minimum wage increases and the extension of full health coverage to civil service pensioners[85].

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[82] IMF, 2011. "World Economic Outlook Middle East and Central Asia", April 2011
[83] UNDP Social Safety Nets, http://www.undp.org.lb/programme/governance/advocacy/nhdr/nhdr97/chpt3b.pdf
[84] ISSA, 2011. "Reforming Egypt's Social Security System: A vision for social solidarity"
[85] IMF, 2011. "World Economic Outlook Middle East and Central Asia", April 2011

While the above mentioned measures are not all directly linked to social insurance schemes or social assistance programs, they are nevertheless important in the overall changes occurring in the countries. They all have an impact on the welfare of the people on socioeconomic level.

Table 5 Fiscal Policy Measures Announced Since Late 2010[86]

	Subsidies	Social Welfare and/or cash transfers	Gov salary/benefit increase	Tax Breaks or others	Annual Cost (% GDP)
Egypt			X	X	0.7 to 0.9
Jordan	X	X	X	X	2 to 2.2
Lebanon				X	1
Syria		X	X	X	2

As for pension, the reforms pertaining to the characteristics of the schemes (parameters) must aim to reduce the gap between the contributions and the benefits of the schemes. Reforms can comprise the increase of contribution rates, the reduction of the benefits of early retirement, the increase of years of service, etc. These reforms can award more sustainability to the schemes in place. For example, Kuwait has recently increased the contribution rate to 25% and Saudi Arabia to 19%. Early retirement was increased in Kuwait to 55 for men and 50 for women and is not allowed for men in KSA.

In addition, more drastic reforms pertaining to the system itself are also needed. Bahrain is also reforming its social security including private and public schemes. In the same context, Qatar has a new project law since early 2011 for the coverage of the private sector. Lebanon seems to be moving towards pension reform with a draft law (2008) covering both the private and public sector as well as other workers' categories for the creation of a new defined contribution fully funded pension system to replace the End of Service Indemnity program in place.

As has been shown in the report, there is an obvious need for reforming and further developing social protection schemes in the region. Both oil exporting and oil importing countries are undertaking much needed reforms. These reforms however, especially in terms of pension schemes, are moving further away from the concept of solidarity in social protection as they are more individual based. They are moving more towards a capitalistic view than a redistributive one. When reforming, one must not lose sight of the initial ideals behind social protection. It is not only a matter of securing one's self against risks but also to assist others less fortunate in our society to be protected against similar risks- thus the notion of solidarity. The redistributive role of the state to minimize income inequality and provide security to all is missing in the individualistic model.

VI. RECOMMENDATIONS

This section will have a small recap or sum-up regarding social protection and its importance, as well as a set of recommendations for governments to take into consideration when debating how best to increase the financing of these schemes.

The debate on social protection has evolved greatly over the last decade and more so in the last few years following the financial crisis as well as the Arab uprising in which alongside demands of political freedom where demands of socio-economic equality and development. Widespread agreement exists across international organizations and countries regarding social protection as essential for a socially and economically prosperous society, while differences occur more in the understanding of social protection and the extent of the role of government in providing it.

[86] IMF, 2011. "World Economic Outlook Middle East and Central Asia", April 2011

Social protection covers many aspects of everyday life (such as health insurance), and is intended to protect against many economic ailments (such as unemployment and disability). It may either be universal or targeted, contributory based, or tax funded. Each country develops and adopts its own social protection scheme which usually involves a mix of contributory and tax funded schemes.

When debating the importance of establishing developed social protection schemes in the ESCWA region, the distinction between resource rich labour poor and resource poor labour abundant countries cannot be ignored. When many countries are running deficits, especially the poorest ones, and when debt rates are soaring, the potential for extending social protection becomes limited.

Having said that, many studies have suggested a two way relationship between the existence of solid social security schemes and sustainable economic growth. Indeed, "social security is an essential basic service in all successful states that have experienced long-term sustainable growth rates alongside successful poverty."[87]

Social protection has several functions amongst which are social, political and economic. It protects against and alleviates poverty, it provides more equality and social justice and finally it mitigates the negative impact of crises such as the most recent financial crisis of 2008. Uninsured individuals always worrying about the risks they face will not invest and will only undertake safe behavior, which might not always be the most gainful behavior. Further than this, social protection may even drive economic growth by freeing up household income traditionally spent on health for example to be spent on other growth driving activities such as productive investments[88]. Therefore, social policy, and in particular social protection should not be a residual aspect of policy planning and economic growth. Indeed, the wellbeing of humans is important regardless of its economic impact.

In order to insure proper and adequate protection one cannot ignore the financing and the financial sustainability of the systems at hand. Without these, benefits may turn out to be empty promises that the state is unable to fulfill in the long term. The problem with coming up with ways to better finance social protection in developing countries lies not in the shortage of strategies and ideas. The issue lies in the fact that major macroeconomic structural changes need to take place alongside reforming social protection schemes. It is not possible to increase contribution rates without increasing wages or increasing and even improving the quality of the benefits and care received. The healthcare services offered in public institutions in many developing countries, or even the quality of service offered by the social security organizations leaves many turning to the private sector despite the high prices. Similarly, it is not possible to implement universal schemes without increasing tax rates and improving tax collection mechanisms. As has been said, developing countries often lack the institutional and administrative arrangements necessary for efficient and effective tax collection. Corruption and mismanagement of public funds is another issue which affects the financing, sustainability, reform and extension of social protection in developing countries. Nevertheless it is important to suggest or rather recommend reforms or policies which may be taken into account when thinking of the financing of social protection systems, while keeping the above mentioned limitations in mind. Many have already been pointed out throughout the report and in this conclusion in particular nevertheless some additional ones could be mentioned:

- In order to improve the financing of these systems, there needs to first off be an agreement on the understanding of what social protection is and what it comprises of. As has been noted in section two of this report, there is a lack of a unified framework regarding social protection in ESCWA countries. The lack of a common framework limits the possibility of calculating and estimating government spending on it. As such, it is of primordial importance that the countries of the region set a definition detailing what is included and what is excluded from social protection upon which they may calculate their social protection spending.

- There is currently a lack of data regarding social protection spending in the ESCWA region. If there is no clear information regarding spending then it is not possible to assess where the money is going

[87] Samson, Michael. 2006. "Universalism Promotes Development: Evidence from Southern Africa's Social Transfers"
[88] Kattaa, Maha. 2011 (ILO) "Social Protection and Cash Transfer mechanism in Syria", UNESCO Social Protection Workshop

and where it is lacking. As such a second step is to improve the data and more specifically government budgets pertaining to social protection. Governments should rely on and develop analytical and actuarial accounting methods in order to have a better idea of how their current revenues and spending on social protection will be affected in the future. ESCWA countries should develop comparable breakdowns of items of revenues and expenditures for benchmarking purposes. In this regard governments should properly develop functional classifications in their budgets which will allow them to truly assess the amount spent on healthcare for example.

- When it comes to the actual financing of social protection schemes, this should be pro-poor, "otherwise, there is the possibility that the pro-poor benefits of social service provision may be undermined by 'anti-poor revenue raising strategies' ".[89] As such, when countries - whether resource rich labour poor or resource poor labour abundant - are looking to increase taxes in order to develop a more universal system, attention must be paid to the fact that these taxes be progressive rather than regressive. Currently, many developing countries have a regressive tax system. The share of income tax out of total public revenue is on average low in the ESCWA region. On the other hand, GCC countries generally obtain most of their tax revenue from taxing oil. However, as previously noted, these countries could start facing financing problems due to the high level of social protection they provide. As such, it is recommended that they diversify their revenues in a manner which will not negatively impact the most vulnerable and needy in society. A progressive income tax system is required in all countries. There are several taxes which may generate greater revenue for the state without having negative repercussions on the middle to low income households. Reaching a balance between the taxation of rent and wealth and the taxation of the labour force (employers and employees) should also be taken into account.

- Governments should build a minimum social protection floor which will guarantee basic, minimum protection to the whole population leading to a more universal system. This will absorb all those working in the informal sector and provide them with some form of protection. In order to finance this, it could reform its spending on subsidies, which has been one of the main social assistance tools of the poorer and least developed countries in the region. Many countries have begun moving away from food subsidies towards more effective and efficient ways of social spending and are looking into developing more universal schemes.

- In countries where a universal health scheme is currently not in place or where it is still being developed, governments may consider developing a co-pay system. This would lessen the burden imposed on the government by such a new scheme and would require individuals to only pay a minimal amount. In addition, for those living at or under the poverty line, there could be exemptions or subsidized cost of this co-payment. This would be an equitable and affordable system by governments who are currently struggling to provide for their citizens. It would promote the idea of shared costs and the concept of reciprocity and responsibility and solidarity between the state and citizens, which currently lacks in many countries in the region.

- When it comes to contributory schemes, a solution for ESCWA countries, and specifically the GCC ones, could be to increase the contribution rates in order not to diminish the pension benefit offered. As has been previously noted, GCC countries offer generous benefits, which for the time being they are able to handle. However, based on the analysis of these schemes, and a few actuarial analyses, it is obvious that these systems are not sustainable. Since it is however important to offer generous benefits, the contribution rates need to match. However, when increasing these rates attention must be paid to not negatively impact those poorer individuals and those with lower wages (i.e. the most vulnerable). A way in which this could be done is similar to the reform undertaken in Egypt whereby individuals with higher wages pay a higher contribution rate whereas those with a lower wage a lower one. There is the possibility of underreporting one's wage in this system and then over reporting in the last few years of work prior to retirement in order to obtain the highest benefits

[89] UNRISD, 2009. "Financing Social Policy, mobilizing resources for social development", Ed. Katja Hujo and Shea Mcclanaham. Social Policy in a Development Context Series

possible. These kinds of problems already exist in many countries, and monitoring systems to counter such fraud need to be developed.

- Increasing the revenues of social security organizations may allow for the increase of the scope and extent of benefits offered. Governments may in this case develop an unemployment insurance scheme, essential nowadays for a well functioning society. In fact, an unemployment scheme besides having positive repercussions on the social wellbeing of individuals also has a positive impact on the economy of a country as has been previously noted. As such it is essential to look at ways to improve the social protection systems whilst developing the financing systems.

- Another way to increase the revenue, or rather render pension schemes sustainable is by increasing the number of years of contribution required, especially when it comes to early retirement. In fact, the return rate of early retirement is higher in many ESCWA countries than the return rate of the normal old age pension. As such, this system is conducive to encouraging early retirement entailing a cessation of contribution and a delivery of benefits. This is a problem especially considering that countries of the ESCWA region are in a demographic transitional process in which they will sooner, rather than later be considered ageing societies.

- Contribution schemes which have their roots in the Western world, (in Europe and Northern America) are based on the principle of an ever growing salaried population. While European countries have reached very high level of salaried employees (80%-90%), Arab countries have not. This causes a problem since it leaves many individuals without any form of formal social protection. Furthermore, it lessens the contributors and as such the financing of these schemes. In this light, universal systems might be more adequate for countries in the ESCWA region.

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