Issues of Social Protection in the Arab Region

A FOUR-COUNTRY OVERVIEW

by SALIM NASR

Social protection needs in the Arab countries increased in the 1990s because of significantly increased unemployment, lack of job creation, and deterioration of real wage rates. At the same time, pressure to lower government spending on social services meant a weakening of the ability to provide protection for the most vulnerable groups. Dr. Salim Nasr, the Director of the Lebanese Center for Policy Studies, Beirut, analyzes these trends in four selected Arab countries, and assesses the targeting, efficiency and impact of their social insurance and assistance programs.

CONTEXT AND BACKGROUND

The geographic region covered by the 22 Arab states includes a complex variety of social development and social protection programs. To make issue and trend analysis more manageable and meaningful, four countries have been selected to represent this diversity and provide an overview. The focus is on Egypt, Morocco, Jordan and Lebanon, and is based on several considerations. The sample includes the largest state in the region (Egypt, 68 million people), one middle size state (Morocco, 30 million) and two small states (Lebanon and Jordan, about 4 million each). It includes states in the western, central and eastern parts of the region. In these four countries, data and studies on social protection are relatively more developed and available, including statistics, policy research, and evaluations of impact, coverage, cost-effectiveness and administration. Building on these foundations, it is hoped to open the way for much needed policy research and public debate on social protection in the region.

During the quarter century between 1960 and 1985, despite two Middle East wars in 1967 and 1973, the Arab region outperformed all other developing regions except east Asia in income growth and the equality of income distribution. Infant mortality was halved, life expectancy rose by ten years, and absolute poverty (5.6 per cent) was lower than in East Asia (14.75 per cent) and Latin America (28.8 per cent). Rapid economic growth, the boom in world oil prices since 1973, and generous social transfers to large parts of the population were behind these achievements (World Bank, 1995).

However, the past fifteen years (1985-2000) have seen a deepening economic and social crisis in the region, due to complex factors including collapsing oil prices, two devastating Gulf wars (1984-1991), deteriorating productivity and slowness in structural reforms in a far more competitive international context. Real per capita income stagnated or grew by less than 1 per cent a year in most countries of the region. Per capita income in 1995 was broadly similar to that of 1985, at a time when developing countries as a whole registered a 40 percent increase and the countries of East Asia an 80 percent improvement. Despite some changes in the mid-1990s, stagnant growth and per capita income levels still prevail in most countries of the region.

In an increasingly globalized economy, the limited linkages of the Arab region with the international system left it essentially marginalized. Its share in world trade has fallen since the mid-1980s from 5 percent to 3 percent. In 1995, the region attracted less than one percent of equity capital flowing to developing countries from industrialized investors, and that was highly concentrated in the energy sector (El-Erian, 1997).

The focus of most structural adjustment policies of the 1990s was on financial and macroeconomic stability, without really engaging in structural economic, social and institutional reforms. This had negative effects on Arab labor markets, which suffered from an increase in hidden unemployment, a lack of new job openings, and a deterioration of real wage rates in the 1990s. Unemployment rates in Egypt, Morocco and Lebanon have increased by 10 to 19 per cent — low estimates because they tend to reflect only workers who lost jobs in the formal sector. Jordanian data, for example, indicate that unemployment is highest among the poorest of the poor at 34.2 per cent, followed by the abject poor at 26.8 per cent, and remains high even for the non-poor at 15.3 per cent (Shteiwi: 2000).

The decade of the 1990s saw a steady growth of the informal sector. In Egypt, 40 per cent of the total urban work force is in the informal sector in Egypt; the figures were 33 per cent in Jordan by 1995, and 28.4 per cent (estimated) in Lebanon during the 1990s. Morocco's informal work force grew twice as fast as the formal sector during the 1990s. In the region, segmentation of the labor market has become more acute. The public-private, male-female, and formal-informal divides are all producing major disparities in income and creating the need for greater levels of social protection for marginalized segments of the population (El-Khawaga, 2000).

The percentage of poor people living below the absolute poverty line in the entire region is on the increase — from 18.7 to 21.3 percent in Jordan, between 1987 and 1998 (Shteiwi, 2000); from 16.4 to 29.2 per cent in Egypt, between 1982 and 1996 (El-Laithy, 1999); reaching an estimated 28 per cent in Lebanon in 1993 (Haddad, 1996). Poverty has been relatively evenly distributed between the urban and rural sectors, indicating a general lack of social protection for the poor regardless of geography.

In the last decade, Arab States in general have continued to allocate quite high levels of public expenditure to social sectors. But too much of it has gone for developing the infrastructure for education and health care, and paying salaries of the disproportionately large number of public employees in these sectors. Various studies have criticized these high spending levels as inefficient and wasteful, failing to provide basic social services to the majority of the population, and giving too little priority to the poor.

Globalization has added to the social risk factors in Arab societies as a result of the major restructuring of economies and labor markets, the pressure to lower government spending on social services, and the already institutionally weak mechanisms for social protection. These could be resounding setbacks, since progressively covering people's basic needs remains a fundamental precondition for sustainable development. On the contrary, Arab states and other developing countries have been left with insufficient funds for the unemployed, for health care services, for training and education to qualify people for jobs in the new global workplace, for those of retirement age, and for those who have suffered from work-related accidents. The ability to provide social protection has weakened at a time when it is becoming more needed.

Social protection is a fundamental and central feature of the social contract that any state makes with its citizens and that citizens make among themselves. At the most fundamental level, social protection refers to public and private policies and programs which offset the absence or substantial reduction of income from work, assist families with children, and provide people with health care and housing.

Social protection takes two main forms: 1) Social insurance or social security, which is financed by contributions which are pooled by individuals or households to protect themselves against future risk; and 2) Social assistance which encompasses public actions designed to transfer resources to members of society who are eligible on the basis of their deprivation. The effectiveness of these two categories of social protection needs to be analyzed. Regarding social insurance schemes, whether self-funded or mandated by law, how efffective are they in minimizing the risk factors for the formally employed sector of the society? Regarding social assistance programs, whether based on public expenditure, community or interpersonal transfers, how effective are they in expanding coverage to the informal sector, to those in abject poverty, or to the most vulnerable social groups?

SOCIAL INSURANCE SYSTEMS: TARGETING THE FORMAL SECTOR

For decades, the four countries have been developing formal social security systems to provide protection to their working population — Egypt since the mid-1950s, Lebanon and Morocco since the early 1960s, and Jordan since the late 1970s. Several common features are shared by their mandated social security systems: they are basically classical state-run compulsory schemes; they are financed by contributions of a percentage of lifetime earnings; they operate as pay-as-you-go schemes and are only very partially funded; they have defined benefit plans and the entitlements are employment related; and they aim to be self-sustainable in the long term.

With the exception of Lebanon, where the predominant practice is required contributions by employers, funding generally comes from contributions by both employers and wage earners, with the State committed to cover deficits. Most benefits are provided by the publicly run funds themselves. However, some laws mandate that employers must offer the services of private insurance companies in lieu of public coverage.

The main characteristics of the social insurance systems in the four countries can be compared and analyzed as follows:

Incomplete protection against major social risks

The four national systems have important insurance coverage gaps and have yet to reach full maturity, as summarized in table 1.

Unequal treatment of individuals

Social insurance systems in the four countries are made up of several segmented schemes with unequal legal benefits and unequal treatment of individuals. Egypt has six, Lebanon five, Morocco seven, and Jordan two different schemes for different types of employees.

The segmentation reflects the ranking of each category in the power structure. The military receives universal coverage, often with much higher pensions and health benefits than the rest of society. Next comes the state permanent civil servants, who generally enjoy a much better than average packet of ben-

Table 1—SELECTED NATIONAL INSURANCE SYSTEMS

	Egypt	Jordan	Lebanon	Morocco
Old-age pension	Yes	Yes	Partial[1]	Yes
Disability insurance	Yes	Yes	Yes	Yes
Death insurance	Yes	Yes	Yes	Yes
Sickness and maternity leave	Yes	No	Mandated but not implemented	Yes
Medical benefits	Yes	No	Yes	No
Work injury benefits	Yes: Employers contribute	Yes: Employers contribute	For workers with employment contracts	For workers with employment contracts
Family allowance programs	No	No	Yes	Yes
Unemployment insurance	Some[2]	None	None	None

[1] *Lebanon still has no real pension scheme, only a lump sum and end-of-service indemnity. A main problem is the discrepancy between the legal amount due at retirement and the real amount existing in the corresponding account, due to inflation, nonpayment of contributions, and low return on investments.*

[2] *Egypt, the only country with unemployment insurance, provides limited coverage. It excludes casual agricultural workers, domestic workers, those employed in family labor, public employees and employees over the age of 60. If qualified, the unemployed can receive 60 per cent of the last wage for up to 28 weeks. However, estimates show that less than 10 per cent of the potential beneficiaries receive benefits under this scheme.*

efits. In most countries, these two sectors and their dependents include no more than 20 per cent of the population (but in Jordan 45 per cent of the population is covered under military-run or public sector schemes).

The preferred groups also tend to benefit from a higher quality of services. For example, in Egypt, where medical benefits are fragmented into several separate systems, badly coordinated and unequally equipped, only a certain group of the population is served by each: Upper and upper middle class people in private hospitals and private insurance companies; army and security forces in exclusive hospitals financed through tax revenues; parts of the upper middle class and professionals through organizations which run their own high-quality health clinics; members of the general social insurance scheme either get free service in the poor quality public health care system, or second rate service in contracted private hospitals.

The several systems in each country may operate through multiple channels. In Morocco, the channels range from the major Caisse Nationale de Sécurité Sociale and other public and semi-public schemes, through cooperatives (mutuelles) and semi-private schemes. In Lebanon, there are more than 10 channels by which government expenditure on health coverage plans take place, including a number of ministries, other government institutions, cooperatives and mutual benefit funds. Such dispersion increases the administrative costs of coverage, decreases the negotiating power of the insuring institutions vis à vis the mostly private institutions producing the service, and maintains a large disparity in the ceilings and the cost of benefits paid by each institution for the same type of service.

In general, only limited social redistribution is achieved by the formal social security schemes of the four countries. Work injury and family allowances programs have tended to provide some cash transfers to poorer people. But retirement benefits have mostly favored the relatively better paid, according to their contributions, and the typical pay-as-you-go and nonuniversal models of social security. In Morocco for example, children and teenagers (40 per cent under the age of 15), old people (5 per cent above 65), and women are the people most affected by poverty; however, by design, their benefits are limited to the small contributions made on their behalf (Boudahrain, 2000). One exception is Egypt's social security system, which, under government incentives to put a brake on rural-to-urban migration, is highly redistributive in favor of farm workers and smallholders who make up about one-third of the work force and receive benefits estimated at 43 times higher than their contributions (Gray, 1999).

Limited coverage of the concerned population

The most significant characteristic of social insurance systems in the Arab world is that, although designed to be universal, they actually only cover part of the intended beneficiaries. These gaps arise because many private employers do not feel obliged to actually pay contributions or provide benefits. Also, the States' administrative and judicial capacities are often too weak or sometimes too corrupt to enforce accountability and ensure universal coverage within the laws.

The coverage shortfalls in the four countries are so large that it is not surprising when 50 per cent of the population is left uncovered. In Egypt, estimates are that only about half the private sector workforce is actually covered by formal schemes, largely due to poor monitoring by the Ministry of Social Insurance (Loewe, 2000). Morocco's system covered 930,000 private sector employees in 1996, but in the cities alone there were over 1.7 million private sector employees, according to the Census Board (Caisse Nationale de Sécurité

Sociale, 1999). No economic sector in Morocco could boast coverage for more than 50 per cent of its employees, with the industrial sector highest, and the agricultural sector lowest at 11 per cent (Centre d'Etudes et de Recherches, 1997). The record is also poor in Lebanon, where the many employers who do not declare their employees face little or no legal consequences, and only 28 per cent of the labor force was registered with the National Social Security Fund in 1996 (Khalidi-Beyhum, 1997).

Sectorally, formal health insurance schemes (public and private) cover only 55 per cent of the population in Lebanon, (despite the country's relatively very high expenditure on health at 10 per cent of G.D.P), maybe 50 per cent of the population in Jordan, 30 per cent in Egypt and maybe less than 25 per cent in Morocco. They usually include civil servants, military personnel and their dependants, employees of some large companies, and upper middle class elements who can afford private insurance.

Looking at health insurance, more than half the Lebanese remain outside the various coverage plans, and only 13 per cent request the Ministry of Health to cover their hospitalization. The Ministry of Finance has reported that 55 per cent of government health expenditures are for a limited number of patients in private hospitals; that about a third of these outlays goes to state employees, who make up 15 per cent of the population; and that this prevents a large number of poor and low-income individuals from benefiting from basic and primary health services (UNDP/ Ministry of Finance in Lebanon, 2000).

Coverage rates of pension insurance in the region are even lower, ranging from 20 per cent of the labour force in Morocco to about half in Egypt (or between 18 and 35 per cent of the working-age population). Among the uncovered, some categories are not required to contribute by law, but many others intentionally evade the payroll and other taxes of the formal sector.

Finally and most important, the social insurance systems are not designed to include the informal sector, which in most Arab countries includes a very large part of the agricultural work force.

Low level of real benefits

Many social insurance schemes in the four countries are characterized by low benefit levels. In Egypt for example, the value of retirement pensions in real terms has been declining steadily over the last 15 years due to rises in the average consumer price. Many pensions are below the poverty line. Several factors contribute to that low level. Pensions do not automatically adjust for inflation. The law calls for contribution rates up to 32 per cent of covered earnings, but aggregate contributions represent only 17 per cent of taxable wages. Moreover, both employers and employees often prefer to underreport wages and salaries. Large shares of the income of higher income groups are not included. Average pensions are particularly low for survivors and the work disabled, which helps explain the concentration of poverty among women-headed households and households without a male earner (Loewee, 2000).

In Jordan, after a 100 per cent increase in 1999, the minimum pension is still about US$ 100 dollars per month, not nearly enough to sustain the primary wage earner of a family after retirement.

There has been a general trend towards an increase in the levels of benefits in the region recently. For example, Morocco's disbursements have increased by an annual average of 13 per in recent years (Centre d'Etudes et de Recherches Demographiques, 1997); Jordan has raised the maximum pension to 80 per cent of the last wage; and Lebanon is planning to increase the minimum value of pensions by moving into a multipillar pension fund scheme.

For most workers of the region, pensions promise 70 to 80 per cent of the ending wage, but actual benefits are significantly lower. This is because of the above factors, the lack of formal indexation mechanisms, national inflation rates and governmental discretionary adjustments.

Relatively costly and inefficient administration

In most social insurance systems in the region, administration and transaction costs are quite high. While the international average is 3 to 4 per cent, in Lebanon these costs reached an all-time high of 20 per cent in 1996 and recently have been pushed down to 11-12 per cent — still very high (Melki, 2000).

Many concerned institutions in the four countries suffer from shortages of needed financial, technical and administrative skills, overstaffing, low levels of computerization and automation of their records and procedures, excessive centralization, heavy bureaucratic routine, weak monitoring of compliance and contributions, and attitudes and practices towards beneficiaries that are not always user-friendly.

Divided supervision of programs across ministries and public institutions is also a problem. For example, in Egypt, three different institutions administer the benefits overseen by the Ministry of Social Insurance. This fragmentation affects the programs' outreach and complicates the identification of eligible recipients (Nassar, 1997).

Finally, the geographical divide also causes administrative problems in social security systems in the region. In Jordan, Morocco and Egypt, studies have cited better coverage and identification of eligible recipients in urban areas than in rural ones.

Emerging issues of financial sustainablity

Sustainability is an emerging issue for social insurance systems in the region, and the financial viability of the public funds is a growing concern. As the systems are generally pay-as-you-go, a critical question is whether they could go bankrupt and whether individuals' and employers' contributions for the future security of the recipients are being wasted. Social insurance and pension finances are in transition. They are still producing excess income and accumulating reserves, but financing gaps and significant deficits are considered likely in the next five to ten years. In Egypt, the dependency ratio of pensioners to contributors, now at 37 to 100, is increasing and is already out of line with the dependency ratio of old-age to working-age persons, which is 14 to 100. Also in Egypt, several systems encourage early retirements, evasion of contributions because of high nominal rates, and manipulation of benefits by, for example, mutual understandings to inflate last years' wages (Loewe, 2000).

In addition, the demographics of the concerned countries are shifting, and systems will come under more financial strain as people have fewer children and live longer, pension benefits grow, more elders need medical care, and there are fewer workers to support them.

Finally, policies for investing current reserves are often unsound, with returns lower than basic interest rates and inflation rates. Reserves in Egypt, Lebanon and Morocco are deposited with public financial institutions with limited interest rates, and are being used in government spending, public investments and infrastructure projects which bear no yield and cannot be sold when needed. Funds of the social insurance systems thus become treasury liabilities and exist on paper only. The state would have to raise new taxes to settle claims when really needed. In Egypt, the National Investment Bank's debt to the Social Insurance System is about $27 billion, whereas the national debt is around $28 billion. Although Egypt's system has a current net inflow, estimates show the debt will increase in the future, as contributions rates will not reflect economic growth and demographics shift more into the urban and formal domain (Chemonics, 1999).

The problem of hyperinflation and insolvency has been particularly acute in wartorn and postwar Lebanon. The National Social Security Fund lost most of its reserves and suffered a general institutional breakdown. It actually stopped providing benefits during the last few years of the war, as hyperinflation bankrupted the retirement pension scheme. As a result of postwar recovery, in 1998, its funds totaled over US$300 million, or 1.9 per cent of the GDP. But its long-term sustainability is again an issue as the State has largely used the surplus to finance its dangerously increasing public debt.

SOCIAL ASSISTANCE PROGRAMS: POVERTY ALLEVIATION MECHANISMS

In national social protection portfolios, social assistance programs complement social insurance schemes and try to extend the reach beyond the insured categories of the population. While social insurance schemes in many societies are legally mandated, work-based, mostly contributory and state-run, social assistance programs are generally noncontributory, means-tested, based on availability of funds, and run by a mix of public, civil society and individual actors.

Social insurance schemes tend to protect mostly the wage-earning, formal sector, urban, and less poor segments of the population. Social assistance programs tend to protect the informal, self- or family-employed, the underemployed, and the poorer and vulnerable segments of the population.

Social assistance programs are not only forms of social protection, but also components of poverty reduction or alleviation strategies that states and societies use to reduce social exclusion and abject poverty and open avenues of integration and mobility to the weaker sectors of society.

As in many parts of the developing world, social assistance in the Arab region is mainly provided through public expenditure programs which rely on allocated budget funds and recently on additional international assistance. Programs may take the form of cash transfers, subsidies to consumer goods, or funding for income and employment generation schemes. Civil society organizations (CSOs) often provide crucial support. Arab CSOs have started developing their own social assistance initiatives with private local and international support, and/or acting as executing agencies of public expenditure programs. Although on the rise everywhere, the relative weight of CSOs seems larger in Jordan, where many programs cross over between quasi-governmental and CSO funds, and in Lebanon where CSOs played a unique role during the war and postwar reconstruction.

PUBLIC EXPENDITURE PROGRAMS

Governments of Arab countries have a range of public assistance programs which address directly the social protection needs of the most vulnerable groups of the population. Constraints on the ability of Arab States to increase spending on targeted social assistance programs include the fact that social sector spending is already relatively high and the effects of their national debt levels and adjustment programs. Any reform of social assistance policies would have to focus on innovative and more efficient programs, or on such solutions as less costly direct cash transfers to the needy or unemployed. Most current programs have been effectively targeted to the vulnerable groups, but serious questions exist as to whether they have had a significant impact in providing marginalized populations with valuable social protection.

Cash benefits and subsidies to vulnerable categories

In Egypt the Ministry of Social Affairs plays the leading role in social assistance programs. It provides cash transfers directly through its 27 branches in the governorates or through various CSOs. The Ministry manages three main social assistance funds:

- a permanent pension fund for special categories such as orphans, widows, divorcees, totally disabled, old maids, families of convicts;
- a temporary social assistance fund for pregnant women, partial disabilities, funeral care, emergencies, natural disasters and accidents;
- a fund for families of former government employees in the lower income group needing assistance with expenses for sickness, education, or marriage.

Estimates are that government social aid schemes only reach about 20 per cent of the targeted needy, 15 per cent of the total poor families, and 40 per cent of the ultra poor families. Several groups are excluded, such as the working poor who have another source of income, the wives of unemployed men, and wives who are heads of household (Bibars, 2000). Though targeting seems efficient, per capita transfers average only 35 per cent of the poverty line. Aggregate spending on these programs bridges no more than 6 per cent of the poverty gap.

In addition, Bank Nasser, whose main purpose is funding social infrastructure projects, provides limited relief cash grants to the poor who are reaching retirement age without coverage under other systems, marginalized divorced women and the unemployed (Loewe, 2000).The multiplicity of programs providing cash social assistance leads to confusion among beneficiaries and leakage of benefits because of weak monitoring and poor linkages between different agencies.

In Jordan, direct cash transfer programs are channeled through the National Assistance Fund, which gives cash transfers primarily to households with unemployable members, excluding students and female dependents, and to the poor. Over 70,000 people have received aid since the Fund's establishment in 1987. Aid distribution is uneven geographically, with only one-third allocated to the central zones where two-thirds of the poor live (Shteiwi, 1999).

In Lebanon, the Ministry of Social Affairs spends about 13 per cent of its total budget on food and housing subsidies to special groups such as orphans, handicapped and some homeless; and about 26 per cent of its budget on educational and vocational training allowances for the same special categories and some very low-income individuals in low-income areas. The Ministry also contributes to health care for poorer and vulnerable categories, channelled through 89 health care centres it supervises directly and through subsidies to health facilities run by CSOs, which provide free care for the poor and special vulnerable groups.

In Morocco, dwindling resources impair the action plans of 'L'Entraide Nationale' which assists orphans, the elderly and the handicapped. As elsewhere, such targeted assistance programs are too small for major national impact. National mutual aid activities, like in Lebanon, have small food, training and other programs for the poor and food subsidies for school children, of course not reaching the many poor children who do not attend school (van Eeghen, 1998).

Cash transfers have important drawbacks in the four countries. They could generate disincentives to work and substitute for alternative private assistance. They have also often been restricted to the visibly poor and the nonworking poor (orphans, disabled, widows and divorced women, elderly). They could be more effectively limited to the truly needy if target groups were better identified. However, their costs are reasonably limited and transparent, and their coverage could be increased easily if more resources were allocated. If socioeconomic conditions allow, they could form the core of a citizenship-based, means-tested system of social assistance.

General subsidies of food and basic consumer goods

As in many developing countries, governments of the Arab region subsidize prices of basic foods and ensure their supply to their poorer sectors of the population. Typical items include bread, sugar, powdered milk, tea, cooking oil and other basic goods. This indirect social assistance aims at raising the real income of the poor by reducing prices of basic goods on which they supposedly spend a larger share of their income.

Subsidy programs peaked in the 1980s in most Arab countries. They reached as high as 13 per cent of GDP in Egypt (7 per cent food and 6 per cent non-food goods) and around 5 per cent in Jordan and Morocco (Van Eeghen, 1998; Loewe 2000). In the 1990s, the subsidies became fiscally unsustainable and were drastically cut. Egypt's figures went down to around 2.5 per cent, and Morocco and Jordan to 1 per cent and 0.5 per cent of GDP.

Evaluations of food subsidies show that they reached most of the poor, raised caloric intakes by about 40 per cent and generally improved nutritional status. However, there were disproportionate benefits to the rich, and administrative costs were and continue to be high. In Egypt, it was estimated that to channel one Egyptian pound to the poor, the State spends 3 pounds on bread subsidies, 10 pounds on sugar subsidies, and 33 pounds on oil subsidies. The amounts spent in the 1980s were far above what would have been required, if perfectly targeted, to bring all of the poor above the poverty line (Loewe, 2000).

Like all social assistance programs that reach large parts of the population, food subsidies are easy to start, but politically difficult to abolish, as illustrated by food riots in the 1980s in Egypt and Morocco and in 1997 in Jordan. In 1995, food subsidies still represented a much larger share of GDP than direct transfers in Egypt, Morocco and Jordan, but not in Lebanon, where food subsidies were always limited.

In the 1990s, Egypt, Jordan and Morocco reduced funding and experimented with better targeted delivery. In 1991, Jordan introduced food coupons for all households to purchase limited quantities of basic goods at special stores, but in 1997 switched to a food cash subsidy targeted to households with incomes of less than 600 dinars (Khalidi Beylum, 1999). Egypt offered ration cards to deliver subsidies, but many poor and illiterate people found the administrative steps overwhelming.

Finally, although cost controls and targeting were improved, there still is debate about phasing-out food subsidies in favor of more cash transfers and other forms of social assistance.

Public works programs

Some Governments of the region provide short-term (3 to 6 month) employment for unskilled or semi-skilled workers in public works projects in poorer and peripheral communities. This is seen as a way to reduce unemployment and generate income, especially in rural areas. The impact, however, tends to be quite marginal. Morocco's "Promotion Nationale" and Egypt's public works program under the Social Fund for Development typically only provided for about half of one per cent of the labor force and accounted for less than a third of one per cent of GDP. Moreover, because large shares of resources go to staff salaries and operational costs, worker payments accounted for no more than 30 per cent of total project costs in Egypt, and maybe 50 per cent in Morocco, compared to Chile's average of more than 80 per cent.

Multi-program approaches: the new social funds

Income generation approaches to social protection and poverty alleviation have been part of the repertory of social intervention in the Arab region for the last few decades. Until the 1990s, only a few public programs and nongovernmental actors were involved. With accelerated structural adjustments and economic reform policies in the 1990s, several Arab countries set up social investment funds or similar arrangements to increase needed social assistance.

Social funds were originally meant as transitional measures to alleviate the adverse effects of economic reforms on low-income groups, without trying to provide a comprehensive safety net for all vulnerable groups. Their focus has been on projects for income generation, employment creation and enterprise development and on basic social services for the poor. In recent times, social funds are more and more perceived and evaluated in the light of increasing needs for comprehensive social protection and poverty alleviation (Osman, 1998). Thus, small and micro-projects and community development projects (including public works) have been undertaken, instead of "traditional" social assistance through direct cash transfers and consumer goods subsidies. Social funds have worked with diverse partners, local administrations, CSOs, community groups and individual beneficiaries.

Egypt's Social Development Fund (SDF), created in 1991, is now the most visible and established of such funds in the Arab world. Jordan's Social Safety Net, established in 1997, is similar in its reach. Morocco and Lebanon are discussing the establishment of social funds, mostly with the European Union.

In Egypt, the SFD has spent about 50 per cent of its resources on microenterprise lending, 35 per cent on local infrastructure projects and 15 per cent on human resource and community development. Critical assessments based mainly on the first phase (1993-1996) raised a number of issues about its impact and effectiveness. The operation is small compared to the size of poverty and social assistance needs, with expenditures representing only 0.2 per cent of GDP and never going beyond US$100 per poor person. SFD claims to have created over 220,000 permanent jobs, or 10 per cent of the 2.2 million unemployed, but the number and permanence of jobs created is debatable. Forty sponsoring programs assisted over 63,000 small enterprises and 40,000 microentrepreneurs up to 1998, but together reached not more than 5 percent of the potential beneficiaries. Until now there is little systematic evidence of impact on income, skills development, health indicators or other living conditions of beneficiaries (Tzannatos, 2000).

Efficiency in administration, targeting, unit costs per job created or microentrepreneur-assisted are difficult to estimate, and SFD depends heavily on foreign donors in the absence of serious prospects from domestic finance and local resources.

Multiprogram umbrellas such as social investment funds have not really addressed the issue of coordination and duplication with other public institutions and programs. In Egypt, for example, there is no apparent synergy or policy coordination between SFD and other major public actors involved in microlending such as the National Bank for Development, Bank Nasser, the Shorouk Program for Rural Development, and the Mubarak Social Solidarity Program.

ROLE OF CIVIL SOCIETY ORGANIZATIONS

Arab civil society organizations play an increasingly active role in social assistance to the poor and vulnerable groups of the Arab region. Several thousand CSOs in Egypt and several hundred in Morocco, Lebanon and Jordan work in many fields of social assistance and poverty alleviation. More significant CSO contributions are being sought as Arab states go through gradual economic liberalization and retreat from several domains of social service delivery.

This is only partially a new reality, since "traditional" charity-based organizations with welfarist, philanthropic and social action impulses have existed for a long time. Such groups still represent maybe 80 to 85 per cent of the total number of CSOs. Most newly established groups are turning to projects for income generation, integrated community development and advocacy.

Religious charities. The more numerous, sizeable and active charity groups are faith-based — Moslem in the four countries, plus Christian in Egypt and Lebanon. The most traditional and pervasive are Islamic Zakat committees and Christian parish committees in neighborhoods, towns and villages. They rely largely on local, religiously motivated donations. Their assistance is ad hoc and generally very well targeted to needy members of the community.

The most efficient and modern are centralized organizations with professional staff, formalized processing of donations and grants, developed functions and local branches. They are usually emanations of central religious institutions such as the Catholic Caritas in Lebanon and Egypt, or large Islamic political movements such as the Moslem Brothers in Egypt and Jordan, Hizbullah in Lebanon, and El-Adl wal Ihsan in Morocco.

In Lebanon, for example, Catholic Caritas is one of the largest and most accessible CSOs. It runs a cash transfer program to increase purchasing power and satisfy minimum basic needs of the poor and unemployed. Individuals can apply at 42 local offices, and screening includes home visits over time to ensure that recipients still qualify (World Bank, 2000).

Secular development CSOs, which are in the minority in the four countries, are working energetically to promote new understandings and philosophies about participatory and emancipatory social development. Often led by former leftist partisans, women or human rights activists, they experiment with innovative approaches to social protection. Examples of such organizations are Amel, Al Najdah and Movement Social in Lebanon, the El Saeed association, and the Association for the Development and Empowerment of Women in Egypt.

CSO delivery of public programs has a large role in social assistance in the Arab World, not only with the social funds discussed above, but also in other programs.

In Egypt, the Social Fund's Enterprise Development Program aims at creating long-term employment opportunities in small- and micro-enterprise through a package of technical assistance provided through CSOs such as the Family Development Fund, CARITAS, the El-Saeed Association, and the Childhood Development Association. Another project aims at widening the Social Fund/CSO partnership by financing CSO work with small enterprise programs and short-term, community-based, labor-intensive projects such as public works programs that aim at creating 200,000 jobs (El-Laithy, 1999).

In Lebanon, CSOs have been quite active in health and education, with the state explicitly encouraging yet controlling their participation. The Ministry of Social Affairs has partnerships with registered CSOs, which are partly subsidized by the government and execute joint projects, often supervised by government agencies.

In Jordan, blurring of CSO activity with public sector edicts is most evident. Since 1985, the Productive Family Program of the Ministry of Social Development has cooperated with CSOs on 694 projects to develop working capital and revolving credit for families. Since CSOs have unproven experience and monitoring mechanisms, the efficiency of such programs has been called into question (Khalidi-Beyhum, 1999).

In Morocco, the CSO sector is relatively young and not as active in social assistance as CSOs in Egypt, Jordan and Lebanon. The government is trying to coordinate CSO microfinance activities through a national federation and a revolving fund for five national institutions which have targeted 30,000 clients for 2001 (UNDP/ Royaume du Maroc, 2000).

Traditional solidarity mechanisms provide significant contributions to social protection which are difficult to account for and estimate. Traditional assistance comes from within family groups, villages, informal mutual associations and local religious charities. Due to the patriarchal, localist, and kinship-based nature of important segments of Arab societies, informal and even formal sector workers, vulnerable individuals and poorer families resort to lending and relief grants from such sources. In Morocco, the state has tried to formalize these schemes in its national strategy on social development, microcredit and public works, particularly in the northern provinces. It has encouraged community-based and civil society organizations to help identify, promote and evaluate self-funded solidarity-type social assistance initiatives. In the future, by design, these grass-roots organizations are poised to take ownership of public social benefits programs being implemented within their communities.

TENTATIVE CONCLUSION

Social protection work in the Arab region has features and weaknesses similar to those faced in many developing countries. Its social security systems tend to cover only the formal sector and in a limited way. The social protection actually being achieved is lacking, real benefits are often low and administrative costs high, and there are serious concerns about long-term financial sustainability. The prospects are for less protection and further marginalization of the unemployed, the abject poor, and workers in the informal sector in the future because of the already existing budgetary constraints on social assistance programs and the already high and inefficient levels of public expenditure in general. CSO contributions to social protection tend to be small in scope, institutionally weak and often restricted by states which are reluctant to relinquish more of their declining social control.

Some calculations indicate that few of the government-funded social assistance programs have actually been effective. Perfectly targeted cash transfers would have lifted all the poor people in the region out of poverty. In Jordan, this would have taken direct transfers of $7.7 million, or 0.16 per cent of GDP, and in Morocco $25.68 million, or 0.08 per cent of GDP. However, larger and more optimized cash transfers are not the only answer, as they do not provide any income-generating incentives and a self-sustaining path for the poor, the unemployed and the larger informal sector.

In the Arab world, one suggestion is for states to focus on the integration of family, community and civil society organizations schemes into an alternative social insurance model that targets people lacking coverage, including the ultra poor, the unemployed and most of the informal workers. This could be attempted, while working more seriously and consistently on the reform and strengthening of the public formal social security schemes already in place. ■

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