



Lessons learned from Linking Social Protection to Tax Revenue

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Question

What are the lessons learned from initiatives to link the allocation for social protection/social security to tax revenue? What are the lessons learned from the Middle East?

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1. Overview

Social protection and taxation have emerged as two of the key policy instruments available to governments in the pursuit of the Financing for Development (FFD) goals and Sustainable Development Goals (SDGs). There is a growing recognition among policy makers in the international development context of the powerful role fiscal policy plays in shaping development outcomes. This represents an important opportunity for the closer consideration of the ways in which taxation and social protection operate jointly in practice (Bastagli, 2015a).

Developing countries often struggle to generate government revenues for social protection through taxation and social security contributions. Tax authorities tend to be weak and taxation lack transparency, while a relatively large share of the population is employed in the informal sector, making it difficult and costly to collect social security contribution or tax employees. This limits the means to redistribute income and to develop adequate social protection systems to reduce poverty and inequality (ILO, 2016).

The removal of ineffective tax subsidy policies (e.g. Jordan, Egypt, Morocco, Oman, etc.) and taxes on financial transactions (e.g. Brazil) may provide the necessary funds to launch/expand social protection programmes. Further, taxes on natural resources in resource-rich countries can support social spending and generate overall economic growth. The evidence from countries like Bolivia, Brazil, and Zambia (i.e. case studies noted in Section 3) shows the positive socio-economic effects that natural resource extraction can have.

This rapid literature review looks at reports issued by different development agencies; international financial institutions; government bureaus and some academic publications – regarding different social protection/social security programmes and how different tax policies and tax reforms have been used in their financing.

Some of the key findings from different developing countries (i.e. in the Middle East and North Africa (MENA) region and elsewhere) on how social protection programmes financed are through various tax instruments and revenue sources (e.g. tax on natural resources, tax on financial transactions, elimination of tax subsidies, etc.) have been summarized below:

- In Brazil, Financial Transactions Taxes have been utilized to create revenues for public provisioning of social services. These taxes:
 - have a twin objective of raising revenues whilst deterring financial speculation that has insignificant social value – and yet presents high risks to the economy;
 - are simple to administer – with no new-found institutions required;
 - can be very progressive, since they let resources to be fed directly from the formal economy to those who require social protection;
 - have been a substantial source of tax revenue.
- In Mongolia, several initiatives have been introduced to reallocate wealth created from natural resources to citizens.
 - Different Sovereign Wealth Funds created by the government (e.g. Windfall Profits Taxes on natural resources) supported children and families through a universal child benefit scheme.

- Similarly, in Zambia, expenditures on social protection have been financed through a well-designed tax system on natural resource extracting companies; legislations to fight underreporting of mineral earnings and capital flight as well as abolition of subsidies.
 - Health, education and social protection are focus areas to achieve SDGs.
 - Budget for social cash transfers has been expanded substantially.
 - Steps taken to develop a social protection policy with rights-based entitlements.
- Bolivia has also been able to finance social protection expenditures through proceeds from natural resources (particularly hydrocarbons taxes).
 - New regulation on the distribution of hydrocarbon wealth has resulted in increased oil and gas income for the state – which has, conversely, been used to expand social protection.
- Through a highly simplified tax collection scheme called Monotax, Uruguay has been able to formalize its informal economy (particularly micro and small enterprises) and broaden social protection coverage.

The experience of countries in the MENA region also provides an interesting example on how to link social protection financing to taxes. To summarize some of these cases:

- In Jordan, the reduction/removal of subsidies on different types of petroleum products has lowered the government's fiscal burden and improved social protection coverage and delivery of large-scale social programmes – such as cash transfer scheme to vulnerable households.
 - However, there was some resistance towards reforms on progressive taxation and the lifting of subsidies.
 - Tax evasion also reduces the revenue to finance social protection.
- In Egypt, a reform encompassing increase in taxes by the government and the termination of energy related tax subsidies (among other policies) has led to targeted social 'solidarity' programmes – including pension schemes, health care provision and education.
 - Nevertheless, rising poverty rates are a challenge. Recent reforms (higher taxes and cuts to subsidies) had a noticeable social cost too.
 - There are also challenges of coordination among agencies running social protection. Social programmes also suffer from financial fragmentation.
- Morocco dedicates a relatively low budget for social protection programmes – despite collecting a decent sized (over a third of its GDP) tax revenue.
 - Social protection system is also fragmented (involving more than 50 agencies), creating coordination problems and limiting success.
- Oman has cut ineffective tax subsidies on different items and focuses on diversifying its economy (and source of tax) – away from oil. The country has also put a comprehensive social protection system in place; including universal medical care, programmes for disabled people, children, migrant workers, free/compulsory education, etc.
- Algeria is striving to complement its social protection funding via taxes on tobacco, alcohol, and pharmaceutical imports.
- Tunisia has carried out fragmented reforms on social protection. The government's (fiscal) space for broader social protection reforms has been impeded by consumption

subsidies. However, there are potentials for a broad social protection reforms – on the back of reforming inefficient subsidies and passing pension reforms.

- The experience of Sudan shows that MENA region's unique religious institutions (e.g. obligatory Islamic wealth taxes and endowments – *zakat* and *waqf*) could be used to cover a significant portion of social protection expenditures.

This brief report is structured as follows. Section 2 discusses the link between social protection programmes and tax policies. Section 3 provides country examples on how different social protection programmes (e.g. health care, education, pension, targeted assistance programmes to vulnerable groups, cash transfers, etc.) have been financed through various types of tax instruments. To draw lessons, tax policies of interest and their impact (i.e. financing and development outcome) on social protection programmes are separately looked at. The section explores examples from developing countries (mostly middle income) in different parts of the world. Section 4 provides information and evidence that is similar to Section 3 – but focusing on the experiences of countries in the MENA region.

2. Linking Social Protection Systems to Taxes

Taxes and transfers are often discussed separately. However, in practice, they interact to influence the distribution and redistribution of income and wealth. When studies examine social protection independently from tax policy, they generate an incomplete picture of the impact of fiscal policy (Bastagli, 2015a; 2015b). Evidence showing that the net effects of government spending and taxes put the poor worse-off in some countries underlines the significance of implementing a comprehensive approach which includes both taxes and spending (e.g. see the experience of Jordan and other MENA countries in section 4).

Taxation is depicted as one of the core policy options to raise the 'significant additional domestic public resources' that will be required to achieving the SDGs – according to the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (UN, 2015a). In this regard, donors' commitments are mainly expressed in terms of delivering support to enhance domestic capacity for tax and revenue collection and administration.

Taxation exhibits some key differentiating characteristics and potential advantages – when compared with other social protection financing alternatives, like expenditure reallocation and dependence on external financing. These consist of taxation's potential role in creating and strengthening government legitimacy and state-citizen relations (UNRISD, 2019). By fostering government accountability, effective tax systems can be linked to a '**virtuous cycle**', whereby tax collection is associated with enhanced service delivery and improved citizens' willingness to pay taxes. (Bastagli, 2015a; 2015b).

External financing and revenue earned from natural resources and consumption taxes have been crucial to backing the establishment or enlargement of social protection programmes. The relatively low average tax-to-GDP ratio in several developing countries partly explains the continued dependence on external financing for social protection programmes. Nevertheless, this also raises sustainability and equity fears. Such problems can be dealt with via initiatives targeted at strengthening countries' institutional and administrative capacity for social protection, by safeguarding the transparent management of resources, and by creating tax

and transfer policies that address equity and broader development concerns – together with other policy objectives, like boosting tax revenue (Bastagli, 2015a).

3. Case Studies: Financing Social Protection through Taxes (L. America, Asia, Africa)

3.1 Brazil: Financing Social Protection through Financial Transaction Taxes

Tax related policy developments

Brazil presents a good example of how flexibly financial transactions taxes (FTTs) can be used to create revenues for public provisioning of social services, and at the same time to alleviate financial instability occurring from short-term capital flows. FTT is a small tax imposed on various types of financial instruments such as shares, bonds, foreign currency transactions, derivatives, and bank debits and credits. FTTs have a twofold goal of raising revenues while disincentivising short-term financial speculations that provide little social gain but present high risks to the economy. FTTs are easy to implement by tax authorities, with no need to build novel institutions. It can also be highly progressive, as it allows resources to flow directly from the formal economy to those in need of social protection (ILO, 2016).

Brazil's FTTs (i.e. bank debit taxes) have been a source of sizeable tax revenue. Brazil initially introduced a bank debit tax in 1993. However, it was short-lived as a result of changes in policy. The longest lasting bank debit tax – *Contribuicao provisoria sobre movimentacao ou transmissao de valores e de creditos e direitos de natureza financeira* (CPMF) – was put in place in 1997, with an initial rate of 0.20%. The rate rose slowly starting in 1999 (0.22%) to 0.38% in 2002. Revenues collected from the CPMF was originally earmarked to finance healthcare programmes (0.2%), to fight poverty (0.1%) and for social assistance (0.08%). The CPMF generated almost USD20 billion per year. The CPMF collected about three times the amount of revenue raised by Brazil's corporate income tax (CIT) on financial companies (ILO, 2016; Honohan and Yoder, 2010).

Impact on Social Policy & Lessons Learned

Since the CPMF was devised mainly to finance social protection expenditure and its method was classified as a 'social contribution'. When the CPMF was in place, 42% of the revenue generated was spent on the public unified health system; 21% on social insurance; 21% on *Bolsa Família* (conditional cash transfers), and 16% on other social purposes. Total revenue from the CPMF amounted to 1.4% of GDP by 2007. This was sufficient to cover the total cost of *Bolsa Família* and other non-contributory social protection programmes in Brazil. This signifies a major example of how other developing countries can generate their own revenue to help finance public services. Between the early 1990s and 2008 (i.e. when notable legislative and programmatic changes were made in Brazil around economic and social policy), the Gini coefficient (i.e. measure of income inequality) fell by 5.2 points and the percentage of households living below the poverty line halved. Socio-economic reforms in this period included increasing the minimum wage and public expenditure on health, education, and other social services (ILO, 2016; Saad-Filho, 2015).

FTTs serve a dual purpose (i) to promote certain types of market behaviour (such as longer-term investments), and (ii) as a revenue generation mechanism. Nevertheless, Brazil's sporadic episodes with FTTs display the resistance that such taxes can face from vested interests, notably in the powerful financial sector (ILO, 2016; Honohan and Yoder, 2010).

Brazil symbolizes an essential example of an FTT regime in a developing country context, especially in those with a sizeable financial sector. This may, for example, offer some example to the MENA region – which mainly constitutes of upper and lower middle-income countries (see section 4). FTTs are easier to administer, as technological progress has made such tax collection much easier. Many developing countries have already applied some form of financial transactions, and the IMF thinks that such taxes can create substantial revenues (ILO, 2016).

3.2 Mongolia: Financing Social Protection Through Resource Revenues

Tax (resource revenue) related policy developments

Mongolia is an example of a country that has lately started to take more advantage of its immense natural resources. Mongolia's development has been prompted by its extraction industry revenues. The government has made substantial efforts to guarantee that the wealth generated from its natural resources is divided among the wider population, and that resources are targeted at social protection programmes – such as the Universal Child Money programme (ILO, 2016).

Impact on Social Policy & Lessons Learned

Numerous initiatives have been launched in Mongolia during the last decade, reallocating wealth generated by natural resources to the wider population.

- **The Mongolian Development Fund (MDF):** In July 2006, the government launched universal child benefits. Simultaneously, Windfall Profits Taxes were introduced to retain a higher share of mining profits. All revenues collected from natural resource extraction (dividends & 70% of royalties) entered the newly created Mongolian Development Fund (MDF). This was the government's first effort to create a sovereign wealth fund. The fund had the aim of stabilising unscheduled budget deficits; undertook investments aiming at boosting domestic economic capacity; backing small and medium enterprises and helping children and families through the universal child benefit scheme. The MDF was the Government's first attempt to legislate the link between government resource receipts and cash transfers. In January 2007, the MDF considerably increased the annual benefit amount of the universal Child Money programme (ILO, 2016; Moran, 2013).
- **The Human Development Fund (HDF):** In 2009, following the 2008 elections and after the initial instability of the financial crisis that also deeply affected natural resource prices, the MDF was supplanted by the Human Development Fund (HDF). The mandate of the

Fund, like the previous one, was to build and grow sustainable resources for better income distribution among the population. The HDF had the same function as the MDF but on a much bigger scale. The legislation did not restrict benefits and included health insurance and pensions, housing payments, cash, and medical and education service payments. The new schemes under the HDF were large and came under budgetary pressure after revenue income did not meet expenses. The fund was momentarily substituted by a targeted poverty benefit programme (ILO, 2016; Moran, 2013). Recently, the Government has created two sovereign wealth funds to maintain the country's mineral wealth. The Fiscal Stability Fund is a risk fund designed to lessen revenue swings related to mining. The Future Heritage Fund is a savings fund aimed at preserving mineral wealth for future generations (Baatarzorig et al., 2019).

Mongolia was, therefore, successful in redistributing some of the recent wealth generated from its extractive industry through social protection programmes. Key lessons learned (e.g. for other resource rich countries in the MENA region and elsewhere) include:

- Countries rich in natural resources can improve their social protection system (and lower poverty rates) via the taxation of their natural resources, expanding government revenue, and broadening of social protection programmes.
- Improvements of transparency and operational efficiency on all levels of the government will support the allocation of funds to social expenditures.
- Setting up a stabilisation fund helps in balancing volatility in government revenues as a result of natural resource price variations.

3.3 Zambia: Financing Social Protection Through Mineral Taxes

Tax (resource revenue) related policy developments

Zambia is another example of how countries with rich natural resources can rely on taxation (particularly on regulated natural resource extracting private companies) to improve social protection services – as well as to lessen inequality and poverty (ILO, 2016). Zambia's mining sector accounted for 9% of GDP and 77% of exports (as of 2015). In 2013, Zambia's annual extractive revenue was USD1.5 billion and this represented 30% of total government revenue (ILO, 2016).

The country was characterised by generous concessions for private sector companies, and ineffective management under the state ownership in the pre-2008 period. Since then, Zambia has introduced various measures to increase efficiency and to widen the base for its government revenue. Zambia applied institutional reforms, such as the creation of a large taxpayers' office, and a gradual strengthening of its revenue collection framework. Tax administration is now relatively effective, and the country substantially reduced tax leakages when compared with other African countries (Chamber of Mines of Zambia and ICMM, 2014).

The Zambian Government has also enacted a legislation to curtail capital flight (i.e. large outflow of financial assets) and the underreporting of mineral earnings in 2013. The law applies to all international transactions, including profits, dividends, remittances, loans to non-residents and investments abroad by persons dwelling in Zambia. Excluding petroleum

producers, Zambia's mining receipts (as a share of GDP) are the second highest after Botswana (ILO, 2016).

Impact on Social Policy & Lessons Learned

The government of Zambia underscores health, education and social protection as a means to achieve their SDGs. Recent government budgets confirm the government's increase in spending on health, education and social protection. Moreover, the government has enlarged the budget for social cash transfer schemes substantially in recent years. These considerable shifts in Social Protection Spending can be linked to both a change in leadership, as well as to an enhanced fiscal position that has been enabled through substantially increased government revenues from natural resource taxation. Additionally, the government has taken steps towards developing a social protection policy with rights-based entitlements and has generated additional fiscal space for social protection by eliminating fuel and maize miller subsidies. Former patrimonial social protection programmes have also been reformed to more structured and transparent programmes (ILO, 2016).

The lesson from Zambia exemplifies that resource-rich developing countries can considerably expand fiscal space for social protection and other socio-economic expenditures. Taxing natural resource extracting industries permitted the Zambian government to enhance their fiscal position and created the basis for the broadening of their social protection system.

3.4 Bolivia: Financing Social Protection Through Hydrocarbons Taxes

Tax (resource revenue) related policy developments

Natural resources (including gold, tin, petroleum and gas) are the mainstay of Bolivia's wealth and are crucial to funding the country's social protection policies as well as in realizing national development. Due to orthodox neoliberal policies in the 1980s, most of the production was privatised, usually through foreign companies (ILO, 2017). In the process, royalty taxes were reduced to 18%, which led to very high profits for producers (82%) and very low returns to Bolivians. The pervasive discontent with this situation led to an activist campaign named "Hydrocarbons are No Longer Ours." After violent repression of this movement during the so-called "Gas Wars", President Sánchez de Lozada resigned. Following that, a national referendum led to a new regulation on the distribution of hydrocarbon wealth. The previous share of 82% of oil revenues for the producers and 18% for the state was equalised at a 50-50 split (and a reversed 82-18 split for the largest gas field). Renegotiation of former contracts resulted in an increase in oil and gas income for the state from USD558 million in 2004 to USD1.53 billion in 2006 (ILO, 2017).

Impact on Social Policy & Lessons Learned

The significant revenue increases (following reforms and renegotiations) allowed the government to expand/sustain social policies such as *Renta Dignidad* (Dignity Rent), a non-contributory pension to all Bolivians over 60 years old, or the *Bono Juancito Pinto*, a cash

transfer for all children in public elementary schools, which counterbalances the costs of transportation, books and uniforms to increase school attendance (ILO, 2017; Duran-Valverde and Pacheco, 2012; UNCTAD, 2014).

3.4 Uruguay: Financing Social Protection Through Monotax

Tax (resource revenue) related policy developments

Monotax is a simplified tax collection/payment scheme for small contributors in Uruguay.

The micro- and small entrepreneurs who join the scheme are directly entitled to the benefits of the contributory social security system (except for unemployment protection). Monotax contributions are gathered by the Uruguayan Social Security Institute (BPS), and the share corresponding to tax payments is transferred by the BPS to the fiscal authority. The remaining share is then used by the BPS to fund social security benefits for social insurance members, linked to the scheme and their families.

Impact on Social Policy & Lessons Learned

Monotax has proven to be an effective instrument to formalize micro- and small enterprises, as well as to extend social security coverage to independent workers, especially women. Following its success in Uruguay, schemes similar to Monotax are being developed in Argentina, Brazil and Ecuador (ILO, 2014; ILO, 2017).

4. Case Studies: Financing Social Protection through Taxes (MENA Region)

National level governance reforms are required in MENA countries to pave the way for the future development of social protection policies. At the moment, social insurance benefits are fragmented, with numerous schemes running in any one country – and this leads to resource wastage. Fiscal space (e.g. government revenue) is not as big a challenge in the Arab region – unlike other countries around the world, since average social spending varies between 7% and 12% of GDP. In addition, most Arab countries are in the lower or upper middle-income range. This suggests that there could be a better role for effective tax and transfer policies that can deliver a funding base for poverty-reduction policies (UNDP, 2014). If one considers that at least 10% of GDP goes towards food and fuel subsidies, which are not the best forms of redistribution or poverty reduction, then it is conceivable to redistribute spending towards more direct poverty-reduction policies (Silva, 2012; UNRISD, 2012; Behrendt, 2013; UNDP, 2014).

4.1 Jordan

Tax (subsidy) related policy developments

Similar to other countries in the MENA region, Jordan has traditionally provided tax subsidies for consumables such as fuel, electricity, gas, and food. Since the 1960s, the Jordanian government has shielded its citizens from unpredictable global prices of commodities

and food – beginning with subsidies for wheat and sugar (Atamanov et al., 2015). Subsidies on petroleum products alone constituted close to 9% of government expenditures, and as much as 2.8% of GDP in 2012 (Atamanov et al. 2015). The fiscal burden of subsidies was unsustainable, and in 2012 the government either reduced or eliminated subsidies for various categories of fuel. Simultaneously, the government introduced a large-scale cash transfer scheme to vulnerable households as compensation (UNRISD, 2018).

Impact on Social Policy & Lessons Learned

Jordan provides various assistance programmes that range from tax subsidies to cash transfer schemes, tax exemptions, and social services. The country is considered to have **one of the strongest social protection programmes and health care systems in the MENA region** (UNRISD, 2018).

- Most public (non-contributory) social protection and poverty alleviation programmes are delivered by the Ministry of Social Development (MoSD). Beneficiaries of these schemes include children, young people, vulnerable households, victims of human trafficking, older persons and persons with disabilities. Even if MoSD's mandate includes coordinating social services for all citizens, the law does not specify an entity in charge of developing policy for social protection (Zureiqat and Shama 2015). This creates some difficulty in coordinating benefits and programmes among various social protection actors.
- The National Aid Fund (NAF) is a financially and administratively autonomous section of MoSD. It provides benefits and financial assistance to vulnerable individuals and households. NAF counted a total of 99,394 beneficiary households or almost 8% of the Jordanian population in 2015 (Röth et al., 2017). Nevertheless, just 24% of food insecure and vulnerable households are estimated to have received aid from NAF. This leaves more than 76% of households in need without coverage. This issue has led to calls for an improved targeting of beneficiaries (Zureiqat and Shama, 2015).
- The National Zakat Fund (which is administered by the Ministry of Awqaf, Islamic Affairs and Holy Places) runs an additional social protection programme through cash and in-kind assistance (Röth et al., 2017). The Zakat Fund is based on donations, as Zakat is considered a religious duty for Muslims whose wealth exceeds a certain limit and entails donating 2.5% of one's wealth.
- The Social Security System is the largest social insurance scheme in the country. Yet, it only covers approximately 20% of the estimated 4.5 million working age adults in Jordan and does little to lessen the problem of poverty among employees. Moreover, an estimated 44% of workers are employed in the informal sector and are not covered by social protection schemes (ILO, 2013).
- The education sector in Jordan is facing several challenges, including the arrival of huge numbers of Syrian refugee children. Integrating refugee children into existing primary education programmes is putting a strain on the country's education system (USAID 2015).
- Despite different challenges, Jordan is considered to have one of the most advanced and sophisticated health care systems in the region. In 2010, Jordan spent approximately 8.6% of GDP on health care (UNRISD, 2018). The government curtailed free health care services in 2014 and refugees now pay higher out-of-pocket expenses at the same rate as uninsured Jordanians (Achilli, 2015). Refugees also report facing hostility and discrimination from health care professionals (Groenveld and Abu-Taleb 2016; UNRISD, 2018).

Reforms involving progressive taxation (aimed at improving the redistribution of resources) and the lifting of subsidies (which often benefit the wealthy) have been met with public resistance.

Conversely, Jordan's indirect taxes on goods and services (which are paid by all consumers regardless of income level) make up as much as 50% of tax revenues. This has a negative impact on poor and low-income households. In combination with high levels of tax evasion and avoidance, Jordan faces increasing levels of social inequality.

The mixture of these challenges, and the cutbacks by the state to provisions of adequate services and social security, has caused protests and public discontent. In 2017, budget debates over tax hikes and spending cuts to meet the IMF Extended Fund Facility programme resulted in protests in Amman and other urban centres – despite the recent rise in minimum wage (World Bank, 2017).

4.2 Egypt

Tax (subsidy) related policy developments

With the arrival of President Al Sisi in 2014, **the current government started a series of drastic policy reforms, challenging the pre-existing social contract and moving away from universal to targeted social policies.** Reforms include increased taxes, phasing out of energy subsidies and increased targeting mechanisms for food subsidies and cash transfer, and trimming of the public sector. Despite the heavy (social) cost of such reforms, the Al Sisi administration contended that there were no other options – if it was to avoid a serious macro-economic crisis (Ghanem, 2014).

Energy subsidy reform began in July 2014 and included gradual phasing out of subsidies, over a period of 5 years. Spending on food and energy subsidies and social protection reduced from 39% of public expenditure in 2014/2015 to 28.6% in 2015/2016, leading to an upsurge in fuel prices by nearly 70%, and in prices of natural gas by 175% (UNRISO, 2018). Half of the savings are allocated to the reform and enlargement of social safety nets (World Bank, 2015a).

Impact on Social Policy & Lessons Learned

Two targeted cash transfer programmes were unveiled by the Ministry of Social Solidarity in April 2015 – *Takaful* and *Karama*. *Takaful* (solidarity) is a conditional cash transfer programme delivering financial support to low-income families with school aged children (less than 18 years), while safeguarding their commitment to providing their children with healthcare and education (World Bank 2015a). The second programme, *Karama* (dignity), gives income support to the elderly and people with disabilities. The *Karama* programme supplants the old system of solidarity transfers/pensions, which ignored the beneficiary's ability to work.

- Since the share of pensions financed by the government primarily derives from indirect taxes, the current pension scheme is regressive (Loewe, 2009). Coverage is also modest given the incidence of informality in the Egyptian labour market (Du Pradel and Farida, 2015).
- Healthcare provision is based on several free services and a number of targeted insurance schemes (Handoussa, 2010). The current healthcare system is complex, fragmented, inequitable, and is in short of adequate financial resources. A new draft law on the reform of the health sector proposes the creation of a universal health insurance

system, where public and private hospitals offer their service on a competitive basis. The new scheme will be funded through contributions, co-payments and taxes on products harmful to health.

- Education is free and will be allocated a share of public spending equivalent to at least 4% of the GNP (according to the 2014 constitution).

Nearly two thirds of the state budget were allocated to social policies by previous regimes – mainly targeting the urban middle class. The economy was not creating enough employment opportunities and growth lacked inclusiveness. According to the World Bank (2015a), extreme poverty is increasing and close to half of all Egyptians are classified as “poor” or “vulnerable” due to (i) the lack of resources for health and education as well as (ii) due to unequal access to social security schemes because of informality. Poverty is also higher for women since they are mostly unemployed or employed in the informal sector. Fixing a minimum wage has failed to maintain a certain purchasing power (due to inflation). Private sector and short-term public sector employees also remain omitted from the minimum wage regulation.

Numerous challenges are expected to limit the success of current policy reform. At the institutional level, insufficient horizontal coordination across sectors and agencies, shortage of qualified human resources, shortage of proper monitoring and evaluation are expected to affect the policy outcome. One key general challenge facing social policy in Egypt is the financial fragmentation of policies and programmes (UNRISO, 2018).

4.3 Morocco

Tax (subsidy) related policy developments

Even though the proportion of tax revenue relative to GDP is well placed (at around 35%), the proportion of national budget devoted to social protection is among the lowest – when compared to countries in the same income group as Morocco. The subsidies regime has worked an important part of the Moroccan social protection system for decades. It was intended to protect the population’s purchasing power in terms of food and fuel products such as sugar, flour, butane gas and different types of fuel. Due to the raise of food prices since early 2000s, the subsidies system has been criticised for its huge costs and for failing to address social inequities. It mainly benefited the middle classes and high-income groups in addition to supply chain corporations – instead of the poor and the vulnerable population (see Chen et al., 2014).

Impact on Social Policy & Lessons Learned

The Moroccan social protection system is split between relatively limited social insurance coverage and attempts of extension to reach those who have the means to contribute, and large-scale social assistance programmes. Some examples include unemployment insurance and the health insurance extension to independent workers and students that took place recently (UNRISD, 2018).

- The contributory element of the social protection system in Morocco encompasses the employees of Public and Private sector. These represent only a third of the population enrolled in the formal employment sector. It insures primarily sickness, maternity leave, disability, old age, death, and unemployment as well as family benefits. Work related

accidents have been covered since 2002. Unemployment benefit is put in place since 2014. The public sector employees are covered through the *Caisse Nationale des Organismes de prévoyance sociale* (CNOPS) whereas the private sector employees (and theoretically liberal professions) are covered through *Caisse Nationale de Sécurité sociale* (CNSS). In general, the social insurance system in Morocco is fragmented along numerous dimensions – including financing, delivery and management processes (UNRISO, 2018).

Social protection is generally limited in coverage. Contribution based social security is accessible to less than 20% of the employed population in Morocco. Despite the limited coverage, costs are high. Social protection expenditure represents about 6.57% of the GDP, including health expenditure and 4.51% out of GDP excluding health expenditure in 2014 (UNRISO, 2018).

Despite the expansions of coverage in recent years, social assistance is still fragmented, poorly coordinated and suffers from important targeting defects. A recent review of the social protection programmes in the country showed that more than 50 institutions are involved in all the programmes, including both social security and social assistance (see Ministry of General and Economic Affairs and UNICEF, 2016). The institutions are **working in isolation** from each other, despite efforts to improve coordination. Nevertheless, effectiveness and efficiency levels remain low, missing the opportunity to reach better results with the same or fewer resources. The review notes that the approach followed is fixated on certain categories of vulnerable individuals (instead of households), making it difficult to include some groups like young children; children out of schools; informal sector workers; unqualified youth, and elderly people who have never worked in the formal sector. Such risks were magnified in the rural areas when compared to their urban counterparts (UNRISO, 2018).

4.4 Oman

Tax (subsidy) related policy developments

The Government gives tax subsidies to producers of various important items. Owing to a slump in oil prices, tax breaks were cut back on various food items by 48% in the first quarter of 2015. It was said that the subsidies were ineffective because they did not target the poor. To lessen reliance on revenue from oil, the **diversification of the economy** has become the main concern for the Omani government. In addition, the government has adopted the SDGs as a key framework for devising new social policies (UNRISD, 2018).

Impact on Social Policy & Lessons Learned

Oman has a comprehensive social protection system. Consequently, a wide range of basic services are accessible, such as access to insurance against old age, disability and death, maternity, health care, and education. Significant investments have led to large social development progress. These include substantial decreases in child mortality rates.

- Oman has a system of nearly free, universal medical care, based largely on public sector providers. All healthcare services were free at the point of delivery until 1996. However, given the burden on the government budget, a small fee was subsequently introduced. In 2001 Oman spent about 3.66% of GDP on social protection and health care. Roughly 90% of the population is covered by universal health care services (ILO, 2011).

- The Government of Oman has signed the Convention on the Rights of Persons with Disabilities in 2008 and ratified it in 2009. People with disabilities are given the right to preventive and rehabilitation health services, education, vocational rehabilitation, work, and participation in social, cultural and sports activities. In 2010, it was estimated that 3.2% of the Omani population was affected by disabilities (UNRISD, 2018).
- There are specialized programmes in place for children – such as community-based rehabilitation and home visits. Furthermore, there are three specialist centres for the education of children with difficulties seeing, hearing, or speaking and 300 schools with integrated provision for children with special needs. Oman has tried to make education more inclusive by adopting the National Strategy for the Disabled. The government (together with UNICEF) determined two strategic areas in the Country Programme 2012-2015: (1) early childhood learning, care and development; and (2) child-centred, inclusive strategies and plans.
- Education is both compulsory and free. In 2014, Early Childhood Development (ECD) standards were put in place, as part of the National Action Plan on Early Childhood Education, thereby empowering Oman to promote a multi-faceted approach to early childhood. This involves nutrition, since Oman suffers from persistent nutrition challenges regarding young children. To raise awareness and behaviour change and reduce malnutrition in children under the age of five, UNICEF and the Ministry of Health launched the 'Child Nutrition Campaign' in 2011.
- A comprehensive pension system has been in place since 1992. It is overseen by the Ministry of Manpower, which provides old age, death and disability pensions to both public and private sector employees. The administration of the private sector segment comes under the Public Authority for Social Insurance (PASI). This is a system of collective contribution between the government, employer and employee (PASI, 2014).
- Social protection provisions also in place for temporary migrant workers. Short-term benefits include health care, work injury benefit, sick pay and maternity leave. Family benefits (e.g. health care and allowances) are non-compulsory (UNRISO, 2018).

4.5 Algeria

Tax related policy developments

One way the Algerian Government augments social protection funding is via taxes on tobacco, alcohol, and pharmaceutical imports (ILO, 2017).

- **Taxes on Cigarettes and Alcohol:** taxation on cigarettes was 50% of the price in 2014; in subsequent years, the Ministry of Finance put out new legislation placing additional taxes on alcohol and all tobacco products, a way to raising funds as well as combating unhealthy practices, such as drinking and smoking (ILO, 2017).
- **Taxes on Pharmaceutical Imports:** Algeria introduced measures restricting imports of drugs in November 2008 – in order to shield jobs in the local pharmaceutical industry and boost tax revenues. A foreign-manufactured medicine cannot be imported if the same medicine is manufactured by at least three manufacturers in Algeria in quantities fulfilling the market demand. A new order of 8 May 2011 provided a list of 257 imported medicine that are taxed upon entry, because they are produced in sufficient quantities by national and foreign pharmaceutical companies in Algeria – this was argued to be a way to sustain jobs and national industry (ILO, 2017).

Impact on Social Policy & Lessons Learned

Algeria has attained near universal social protection coverage, financed largely through social security contributions. Social security contributions are 35% of salaries; all employers must remit the workers' contribution withheld at source at the rate of 9%, together with the employers' contribution at the rate of 26%. Social security contributions fund pensions, family allowances, maternity, unemployment, work injury and health care for most Algerians. Though, additional funding is required for social assistance and schemes to cover the informal sector (WHO, 2015; ILO, 2017).

4.6 Sudan

Tax (religious) related policy developments

Religious institutions such as zakat (i.e. obligatory wealth tax), waqf (i.e. endowments) and sadaqa (i.e. charitable donations) play an important role in Sudan and the wider MENA region – in the provision of social services, including social protection. Waqf is usually used for social services and community development, such as hospitals, schools and sanitation systems. Zakat and sadaqa contribute to the provision of social protection via cash and in-kind transfers. While sadaqa is a voluntary donation, zakat is a religious duty constituting one of the five pillars of Islam. It applies to all Muslim citizens who are above a certain wealth threshold.

Payment of **zakat was made compulsory by law** in 1984. A subsequent law in 1986 established the Sudanese Zakat Chamber – which is an independent chamber to separate zakat from other taxes. Finally, in 2001 the Zakat Act became the guiding document for zakat in the country, setting it as a socio-economic institution tasked with delivering social assistance (IPC-IG, 2018).

Impact on Social Policy & Lessons Learned

The Sudanese Zakat Fund is among the biggest in the region. Zakat resources fund 87% of the social assistance supplied by the government (excluding subsidies), and some 2.6 million households benefited from zakat in 2016 (Zakat Fund 2016). Beneficiaries are identified by local branches of the Zakat Fund using the poverty census database (Kjellgren et al., 2014; Turkawi 2015). **Sudan, thus, offers one of the most notable examples of institutional efforts to integrate zakat into the national social protection system.**

4.7 Tunisia

Tax (subsidy) related policy developments

World Bank (2015b) notes that the **pressures on fiscal space could be supported in the medium to long term by reforming the country's inefficient consumption subsidies** and the pension system. World Bank also argues that the financial savings from such reforms can be used to **enhance coverage of social safety nets.**

Impact on Social Policy & Lessons Learned

Ever Since the 2011 revolution, there have been fragmented reforms in the sphere of social protection policies. The rationale of those measures was to lessen mounting social pressures and discontent. In this regard, for example, the government raised the amount of cash transfers and the overall number of beneficiaries.

Ties between the economic and social policies are very weak in Tunisia – as the government considers social concerns as a residual matter in comparison to how important economic growth policies are. The content of social assistance programmes depends on the performance of macro-economic policies and economic growth. **This weak coordination between social and economic policies has worsened after the revolution** (UNRISD, 2018).

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