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Fiscal space for child-sensitive social protection in the MENA region

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Social protection policies can help address the multifaceted nature of child poverty and improve children's well-being, especially in the areas of education, health and nutrition. Providing adequate social protection to children is particularly relevant in the Middle East and North Africa (MENA), as multidimensional child poverty remains a major concern in the region. Moreover, a large share of the population of MENA will soon transition into their most productive age, clearing the way for a demographic dividend. This demographic transition presents a unique opportunity for economic growth in the region, due to its larger-than-usual share of working-age adults.

Today, the scope and adequacy of the region's social protection systems remain limited. MENA countries have traditionally relied on universal subsidies and contributory insurance schemes and despite recent reforms in the non-contributory sector, the schemes in place are far from reaching all children in need. Compared to other regions in the world, such as Latin America, public expenditure on social protection—especially for children—is very low in MENA.

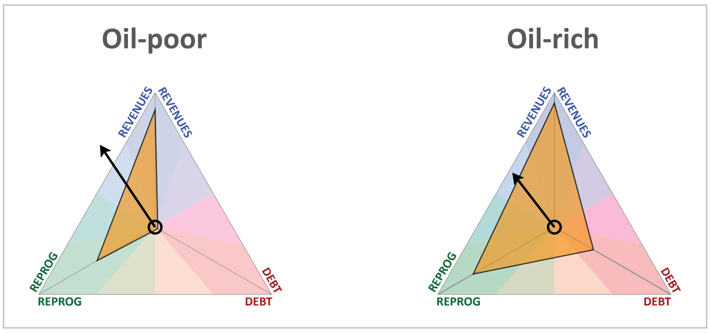
Yet social protection requires funding. Therefore, the need to expand child-sensitive social protection leads to the question of how countries can finance such an expansion. The analysis of the different fiscal contexts and possibilities in the MENA region conducted in this study concluded that the potential fiscal space in MENA countries mainly results from switching expenditures (reprioritising social spending relative to subsidies and military expenditures), rethinking fiscal policy by moving more towards a progressive and efficient tax system, and, to a lesser extent, improving debt management.

Ideally, countries should favour options to create fiscal space that ensure both macroeconomic stability and continuous investment in social protection. However, given the diversity of macro-fiscal contexts in the region, some countries may rely more on one option than others. For example, low-income countries may find Official Development Assistance or deficit financing the only options available to finance social protection in the short term. Oil-rich countries, such as those of the Gulf Cooperation Council, could focus on the diversification of domestic resources as a way to increase fiscal space, since they rely heavily on oil rents. Other countries that already have high levels of taxation and debt could explore the reprioritisation of expenditures to free up resources for social protection. Each option should, therefore, be carefully considered and adapted to each country's specific context.

Figure 1 illustrates these findings. It shows the fiscal space triangles for oil-poor and oil-rich countries,[1] providing a visual representation of the extent to which these countries can finance child social protection through domestic revenue mobilisation, deficit financing and reprogramming of expenditures.[2]

FIGURE 1

Fiscal space triangles: examples of oil-poor and oil-rich countries



Reference:

Bloch, C., C. Bilo, I. Helmy, R. Osorio and F. V. Soares. 2019. *Fiscal space for child-sensitive social protection in the MENA region*. Brasília: International Policy Centre for Inclusive Growth and UNICEF.

Notes:

1. In the complete version of the report (Bloch et al. 2019), these figures are available for 17 MENA countries.

2. The indicator for each dimension of the triangle is a score set between 0 and 1 and is computed so as to give an idea of the country's potential to increase fiscal space through that particular option. The 'revenues' corner is measured using countries' tax revenues as a percentage of gross domestic product (GDP), the 'debt' corner uses the debt-to-GDP ratios and the 'reprogramming' dimension is based on countries' spending on energy subsidies as a percentage of GDP.

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