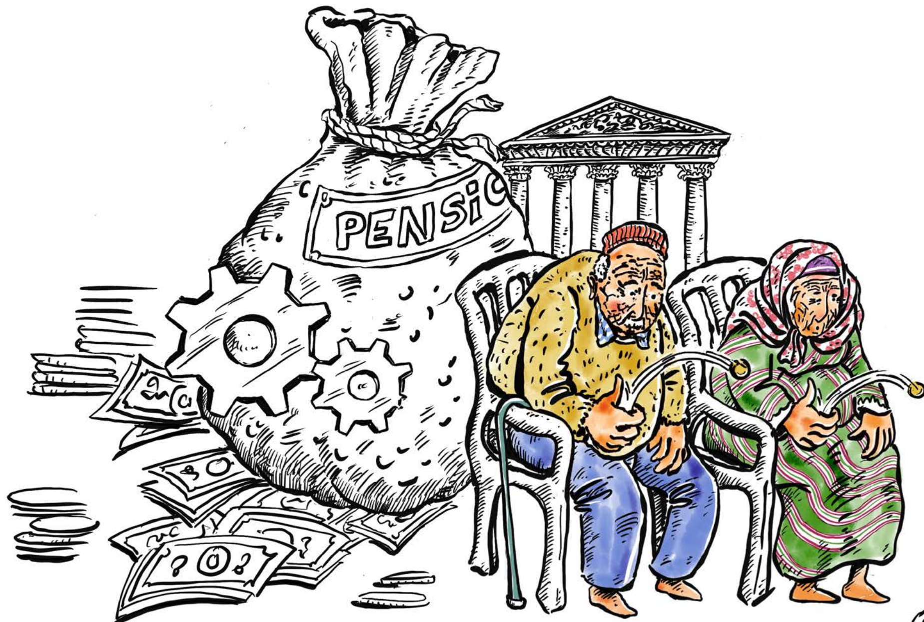
THE POLITICAL ECONOMY OF SOCIAL AND HEALTH (IN)SECURITY

Missing Growth, Policy Failure and Old Bargains Come Home to Roost in Egypt, Morocco and Tunisia

Colin Powers



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Cover Illustration:
Sadri Khiari

Graphic Design:
Marc Rechdane

About the author:
Colin Powers is a senior fellow and chief editor for the Noria MENA Program. He was awarded a PhD from Johns Hopkins School of Advanced International Studies in 2020 and was a post-doctoral researcher at Sciences Po-Paris in 2022. Two-time recipient of the Fulbright Grant, Powers has more than a decade's worth of research experience in the Middle East and North Africa. A political economist by trade, he has conducted fieldwork in Palestine, Jordan, and Tunisia, and his writings have been published in a number of academic and non-academic outlets, including edited volumes, academic journals, Think Tanks, and media organs.

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Executive Summary

Paradigms of social and healthcare policy which had prevailed in Egypt, Morocco, and Tunisia for the balance of the post-colonial period were subjected to significant reform over the past ten years. On the healthcare front, change came in different forms, though in each instance shifted the state's role toward that of an insurer. In the domain of social policy, targeted cash transfers and conditional protection measures of other types rose to prominence in conjunction with reconfigurations of contributory insurance systems. Concerning the latter, it was questions of financing which primarily prompted the reform push, though deficiencies in social insurance system inclusivity also compelled policymakers into action.

In substance, the reform initiatives that were launched in the aftermath of the Arab uprisings mixed retirement age increases with parametric adjustments to pension calculations and a host of initiatives meant to widen enrollment in health insurance and increase the contributor base for social insurance. Despite having a few successes on the board, in Morocco especially, our research establishes that the return on these efforts are, to date, underwhelming. Insurance coverage remains inadequate and benefits are highly unequal in their distribution. Projections also suggest the financial health of pension funds will decline further in the years ahead. Healthcare systems, for their part, continue to evince inflationary pricing dynamics, high-pass through costs on the end user, and poor accessibility.

This report contends that the persistence of social insurance and healthcare policy underperformance in Egypt, Morocco, and Tunisia derives from two primary causes. The first cause we call the popular foundations of power. These foundations are today increasingly maintained through the administration of tax code welfarism. They redound onto social and healthcare policy failures through a number of distinct channels. Most saliently, we show that tax code welfarism deprives regional states of critical revenues and in so doing, not only limits policymakers' capacity to fund existing obligations, but prevents them from building alternatives to employment-tied social and healthcare insurance.

The second cause of underperformance identified in our research is national growth regimes. As we establish, these regimes generate growth rates consistently below potential as well as low labor force participation and pervasive informality. For social insurance in particular, the consequences are dire. Facing declining numbers of new contributors and growing numbers of (longer living) retirees, pension systems built upon the pay-as-you-go model are losing their grasp on financial viability. At the same time, low growth worsens the tax revenue issues already discussed, making it more difficult to cover pension fund deficits while further ruling out the development of publicly-funded, non-employment tied social and healthcare insurance.

Looking ahead, our report posits that apart from Morocco, we should expect to see declining performance from social insurance and healthcare systems. This prognostication is informed by our evaluations of governments' growing debt burdens and our concerns over the direction of the global economy.

Introduction

The paradigms of social and healthcare policy which had prevailed in Egypt, Morocco, and Tunisia for the balance of the post-colonial period were subjected to significant reform over the past ten years. On the healthcare front, change came in different forms, though in each instance shifted the state's role toward that of an insurer. In the domain of social policy, targeted cash transfers and conditional protection measures of other types rose to prominence in conjunction with reconfigurations of contributory insurance systems.[1]

On the contributory side of things, it was questions of financing which primarily prompted the reform push. In Morocco and Tunisia, public and private pension funds had begun drifting into deficit in the mid-2000s. Come the middle of the next decade, the annual transfers needed to keep payments current evolved into causes of recurring fiscal strain. For Morocco, where pension funds provided a critical source of institutional demand for capital market securities, there were also risks to business looming, a factor of acute concern to the World Bank.[2] In Egypt, meanwhile, a sizable share of pension fund reserves had been squandered through decades of poor investments and the Ministry of Finance's malfeasance. With the public sector pension fund already highly dependent on state support, this created troubles of a different albeit no lesser sort. To the extent that all this transpired while majorities or near majorities in each country were languishing without any social insurance at all, it is not as if financial matters were the most pressing issue, either.

Clearly, a policy response was the order of the day, a necessity made unavoidable following the unleashing of new political energies in 2011. With some variance between countries, the policy response that arrived mixed retirement age increases with parametric adjustments to pension calculations. Initiatives meant to widen enrollment in health insurance and the contributor base for social insurance were also launched.

Despite having a few successes on the board—particularly in Morocco—, the return on these efforts are, to date, underwhelming. Insurance coverage remains inadequate and benefits are highly unequal in their distribution. Projections also suggest the financial health of pension funds will decline further in the years ahead. Healthcare systems, for their part, continue to evince inflationary pricing dynamics, high-pass through costs on the end user, and poor accessibility.

1 On social protection, see: Jihen Chandoul, Chafik Ben Rouine, Laith al-Ajlouni, Boutaina Falsy, and Jamal Azouaoui, "Uncovered: The role of the IMF in shrinking the social protection: Case studies from Tunisia, Jordan and Morocco", Report: Friedrich Ebert Stiftung (2022).

2 See: World Bank, "Implementation completion and results report loan number 8363-MA and loan number 8756-MA on a series of programmatic loans in the amount of US$650 million to the Kingdom of Morocco for the first and second capital market development and SME finance development policy loans", Report (June 2019).

How can we understand this, and is there something larger that can be gleaned from the troubles of social insurance and healthcare policy in North Africa?

This report from Friedrich Ebert Stiftung furnishes answers by way of in-depth country case studies. In so doing, it demonstrates how problems of social and healthcare policy grant sightlines into the contemporary political economies of Egypt, Morocco and Tunisia. It also reveals how the threats haunting both the present and future of these countries' social insurance and health systems derive, at least in part, from structural properties of the global economy.

A great number of inputs have influenced the performance of social and healthcare policy in North Africa. Residues of coloniality linger, visible in the Bismarkian modality of work-based social insurance which prevails, in choices of institutional design, and in patterns of public revenue generation.[3] The effects of debt crises, structural reform, and demographic transitions are material to our concerns as well. Indeed, for systems primarily designed around pay-as-you-go (PAYG) models with defined benefits, the relative aging of the population—auguring a decline in the ratio of workers to retirees—was always to be a challenge, all the more so in an era marked by the state's (partial) abdication of its employer-of-last-resort role.

And yet, intensify the difficulties confronting the healthcare and social insurance systems of Egypt, Morocco and Tunisia though these factors have, there are still others which retain a more structural responsibility for the current state of things. Set at the highest level of abstraction, these variables reduce to two: The popular foundations of power and national growth regimes. Together, they explain social and healthcare policies' inadequacy of reach, inequity of benefits, and growing financial non-viability.

The many varieties of retirement policy

The retirement programs of pension and social insurance systems come in many different forms. At the level of highest abstraction, these programs can be reduced to two types. The first type is based on a fully funded design. In this modality, workers "save" a share of their income during their working life, and when they retire, those savings (and the investment returns which they have generated) are converted into a pension. The second type is based on a pay-as-you-go design (PAYG). In this modality, it is a cross-generational transfer, rather than one's own savings, which funds retirees' pensions: Those currently working fund the pensions of the retired via taxes levied on their wages. In turn, when today's workers retire, their pensions will be financed by the workers of tomorrow.

3 For more on the relation of colonialism and taxation regimes, see: Gurminder Bhambra and Julia McClure, *Imperial Inequalities: The Politics of Economic Governance across European Empires* (Manchester University Press: 2022).

Of course, a great deal of policy variance exists within the broad modalities just sketched. There exist publicly and privately managed pension programs. There are defined-benefit and defined-contribution programs. In the first instance, retirees receive pensions determined according to the number of years of contributions made during their working life and some measure of their individual earnings (This measure may be an average of their lifetime salary, their average salary in the years preceding their retirement, or something in between). In the second, workers contribute a share of their income into an individual account, the sums of which are invested on their behalf. The pension they collect depends on the returns thereby generated. There are also targeted plans, which pay a higher benefit to poorer pensioners, and minimum pensions, which are typically means-tested and meant to furnish just a baseline of financial support.

Our case study countries all provide a mix of the programs just listed. Their largest retirement programs, however, are all of the PAYG, defined-benefit variety.

The Popular Foundations of Power

Violence and the retention of loyalty from those who administer it has, of course, long been central to the reproduction of power across our three case study countries. Without diminishing the immutability of this fact, it remains the case that regime stability has also, in each instance, required the acquiescence—if not active consent—of key social constituencies, whose sanction (or withdrawal thereof) lends solidity or volatility to the rule of relevant authorities.[4] This we may call the popular foundations of power.

In terms of principals, the political leaderships of Egypt, Morocco and Tunisia have tended to cultivate similar social constituencies. Domestically, these include that narrow fraction of state and private capital identified in the literature on cronyism in addition to the liberal professional classes and a segment of the urban proletariat. Internationally, favored constituencies consists of the public and private actors willing to provide budget support, development assistance, technological transfers, and foreign direct investment.

These constituencies and their relations to power pertain to our concerns insomuch as the strategies deployed by political leadership for keeping them satisfied affect who is included in social insurance schemes, at what terms, and how the wider system is funded.

4 Political systems of any kind require degrees of popular buy-in and/or acquiescence to ensure their reproduction. Even where they deliver the greatest benefits to elite constituencies—as many democracies have after the neoliberal turn—resilient systems are also effective in delivering benefits to a wider social groups. To see this thesis developed in full, consult Lisa Adkins, Melinda Cooper, and Martijn Konings, *The Asset Economy* (John Wiley & Sons: 2020).

The initial target for inclusion in the social insurance programs of Egypt, Morocco and Tunisia was the contracted urban wage worker.[5] This category encompassed those filling the ranks of appropriated colonial civil services, those staffing a growing constellation of state-owned enterprises, and that relatively small segment of the private sector labor force which managed to secure jobs with large, formally-operating enterprises. Represented by trade unions—whose autonomy receded with time due to the disciplinary and/or co-optive interventions of the state[6]—these workers were, from the start, key (if increasingly voiceless) members to the corporatist arrangements at the heart of each country's political economy. As they were protected against risks of job dismissal by labor regulations—protections that labor federations retained during 1990s-era negotiations over liberalization, albeit at the expense of ceding ground on hiring flexibilization[7]—their insurance schemes tended to concentrate in the areas of retirement, healthcare, and family security. Benefits were initially paid from employer and employee contributions to pension funds and the yields generated by the investments of fund reserves. In more recent years, they have been increasingly financed through transfers from the state treasury.

While never sufficient to maintain the quietest of social peaces, these arrangements, in conjunction with auxiliary policies designed to maintain purchasing power—energy and food subsidies, principally—undergirded a relatively stable bargain between the workers in question and their countries' political leaderships. As this vested a relatively well-organized constituency with a defensive interest in the status quo, these arrangements also made employment-tied social insurance path dependent. Path dependency is problematic, however, in that the modality of social insurance in question provides little in the way of security to large segments of the Egyptian, Moroccan, and Tunisian populations. This is so despite a number of reform initiatives—including the ones of the past few years—having attempted to extend insurance coverage to agricultural laborers and those toiling away as own-account or small business employees. As is such, the provenance of today's social insurance failures can be traced, at least in part, to the processes through which postcolonial states acquired a popular foothold amongst a fraction of the working class.

And yet, without diminishing this fact, history makes plain that the failures in question derive more directly from the means by which these states brought a coterie of different social constituencies into the fold. The means we speak of here is tax code welfarism.

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5 See: Project on Middle East Political Science, "Social Policy in the Middle East North Africa", POMEPS Studies 31 (2018).

6 See: Ian Hartshorn, *Labor Politics in North Africa: After the Uprisings in Egypt and Tunisia* (Cambridge University Press: 2019)

7 Melani Cammett and Marsha Pripstein Posusney, "Labor standards and labor market flexibility in the Middle East: free trade and freer unions?" *Studies in Comparative International Development* 45 (2010).

To put it plainly, just as the institutionalization of social insurance constituted a means for keeping some of Egyptian, Moroccan, and Egyptian workers content with the political status quo, tax code welfarism has constituted one for winning the consent of liberal professionals, luminaries of informal merchant trades, wealthy asset holders, large domestic businesses, and, come the era of structural reform, multinational corporations. For some, tax code welfarism was (and is) extended officially in the form of tax exemptions, holidays and reduced rates of personal and corporate tax obligations. For others, it was (and remains) implicit, enacted through the state's acceptance of tax evasion.

Regardless of form, tax welfarism's consequences are dual. On the one hand, it deprives the public coffers of sizable, income tax-derived revenue streams. On the other, it makes those coffers heavily reliant upon the receipt of value-added taxes (VAT), regressive measures which are weighted disproportionately against the lower and lower middle classes. This, in turn, redounds onto matters of social insurance in two ways. In the first instance, a pattern is consolidated whereby the pensions of relatively well-off members of the formalized labor force become at least partially funded through extracting income, via the VAT, from the less well-off. In the second, the recurrence of weak public revenues imposes limits on the state's capacity to fund existing obligations while precluding policymakers from building an alternative to employment-tied social insurance.

National Growth Regimes

Despite all this, a better, more secure tomorrow might still be reached were Egypt, Morocco or Tunisia able to generate both the right kind and volume of economic growth. In a context of abundant formal job creation and declining gray and black market activity, governments could not only refill the reserves of currently operating pension funds but, with greater tax receipts in hand, also take steps toward constructing publicly funded insurance systems with universal coverage.

Energizing as this prospect is, its realization is obstructed by our second variable: national growth regimes.

It would be injudicious, of course, to disentangle any growth regime, never mind one along the global periphery, from the international systems of production, finance and exchange with which help give them shape. It is those international systems, after all, which afford peripheral members scarce opportunities for ascending the ladder of development. Accepting that reality does not, however, imply that peripherality is tantamount to a total loss of agency. Indeed, when it comes to our three case study countries, the character and performance of growth regimes have always been considerably impacted by the choices of local policymakers. And as a historical review clarifies, on balance, these choices have unambiguously helped push economies toward quagmires

where growth is endemically below potential and generated in such a manner as to yield low labor force participation and pervasive informality.[8]

For social insurance systems, the consequences of these patterns in growth performance are dire. Too few pension contributors come onboard to cover growing numbers of (longer living) retirees, compromising the viability of PAYG funding models. Simultaneously, too few tax revenues are raised to cover pension fund deficits or to fund either better public healthcare provision or the development of comprehensive, publicly-funded social insurance alternatives. If influence and who does and does not possess it explains one half of the puzzle of deficient social policy in North Africa, then, growth explains the second half.[9]

To summate, two variables—the popular foundations of power and national growth regimes—are at the core of the troubles afflicting social insurance systems in Egypt, Morocco and Tunisia. The remainder of this report is devoted to developing and empirically validating why and how this is so.[10] Organizationally, the report is arranged as follows:

Chapter I, commencing after this introduction, furnishes brief histories of social insurance and healthcare policy across our three case study countries. These histories first reveal the degree to which the experience of British and French colonialism mediated institutional development. Specifically—and in relation with local dynamics—we show how this experience permeated each country's adoption of a Bismarckian, work-based modality of social insurance. We further detail how path dependencies endowed by the early 20th century influenced questions of system inclusion and exclusion. Situated thusly, our analysis proceeds to trace processes of post-independence institutional change and how they did (or did not) impact the performance of the social insurance system. Though lacking the space to go into forensic detail on each and every issue, this review will get the reader up to speed on what social insurance looked like on the eve of the Arab uprisings.

Chapter II turns to the reform initiatives launched post-2010. Leveraging historical process tracing, we find that the contours of reform were determined in each instance through a complex interplay involving international organizations, national policymakers, and local powerbrokers. In Egypt, this interplay saw multilateral creditors leverage loan conditionalities and technical ad-

8 Abdul Erumban, Hernan Viscarra, Linda Vega, Ghassan Dibeh, and Jose Luis Veiveros Anorve, "Productivity growth, diversification, and structural change in the Arab states", Report: International Labour Organisation (Beirut: 2022). On Morocco and Tunisia in particular, see: Lorenzo Feiltrin, "Between the hammer and the anvil: the trade unions and the 2011 Arab uprisings in Morocco and Tunisia", Doctoral Dissertation: University of Warwick (2018).

9 See: Ethan Kapstein and Branko Milanovic, *Income and Influence: Social Policy in Emerging Markets (*W.E. Upjohn Institute for Employment Research: 2003).

10 Though we will address social protection measures in instances where they function as de facto risk mitigation tools for old age, health and unemployment, note that our attentions will primarily center on contributory insurance programs.

visory contracts to set the parameters of reform, the ILO advise on policy design, and organized labor and civil society be sidelined from proceedings. In Morocco, while lenders and advisors from abroad were not absent, the process—part and parcel of a royally commissioned review of the country's development model—was somewhat more inclusive and locally-directed. In Tunisia, the gravity of the Union Generale des Travailleurs Tunisiens (UGTT) managed to secure moderate gains in terms of social insurance coverage expansion. Consistent parliamentary dysfunction, business lobbying, and continued social unrest, however, obstructed more substantial changes from going into effect.

Chapter III furnishes evaluations of contemporary social insurance system performance. This evaluation incorporates a social dimension, establishing who is included and excluded within social insurance systems, at what terms, and what the distributive consequences thereby rendered are. It also entails an audit of the finances of the relevant social insurance funds. Section findings are many. Amongst the most notable are that social insurance inclusivity remains limited and skewed toward the category of workers privileged by post-independence corporatist arrangements. The analysis also finds that the financial health of relevant pension funds is poor and unlikely to improve. The reasons for this differ between countries, though the effect of declining contribution-expenditure ratios is present for all cases. From the balance of evidence, we conclude that the kinds of reforms which have been pushed by international organizations and embraced by local policymakers lack the scale and ambition needed to bring real social security to the citizenries of our case study countries.

Chapter IV turns to a consideration of the relation between the performance of social insurance systems and the popular foundations of power in Egypt, Morocco, and Tunisia. Section findings are again multiple. Firstly, leaving matters of power aside, we establish that failures of policy design and administrative incompetence both affect deficiencies in system performance: In Egypt and Tunisia's cases in particular, these variables elevate employment informality to levels well in excess of what is predicted by national income. Accounting for this reality, our analysis nevertheless shows that the exclusion of majorities from social insurance systems is an outcome predominantly determined by politics.

Relevant here are vulnerable populations' possession of lesser organizing capacity and their lesser proclivity for engaging in political activity, respectively. At a basic level, these two social facts, even if violated on occasion by desperate protests like the self-immolation of Mohamed Bouazizi, allow for the interests of the groups in question to be marginalized during policy deliberations.[11]

11 For the effects of these populations' marginality in Tunisia, see: Asma ben Hassen, Jacob Emont, Najat el Mekkaoui, Yageneh Forouheshfar, and Nidhal ben Cheikh, "Extending social protections to Tunisia's informal workers", ERF Policy Brief no. 85 (July 2022).

Chapter IV additionally identifies incumbents' commitments to system preservation as relevant to the poor performance of social insurance systems. These incumbent effects do implicate urbanized contract workers—and the unions which represent them—in insurance system dysfunction, though only weakly so.[12] More consequential are the effects of those social constituencies which have been appealed to through tax code welfarism. As relates to the beneficiaries of this appeal, we find that multinational corporations, local conglomerates, and countries' wealthiest persons rank highest. That said, we determine that one rung below them stands a relatively large segment of the middle class—specifically, the top 10-15% of earners and members of the liberal professions, respectively. Through the tax code, the principals in question deprive the public coffers of sizable revenues.[13] This feeds into social insurance underperformance because the implicit losses thereby suffered by the state preclude a transition to a more universal, tax-financed model of social insurance.

Chapter V of the report shifts the lens to national growth regimes and their effects on the inclusivity and financial viability of relevant social insurance systems. This analysis is broken into two subsections. The first provides an appraisal of external, structural restraints on growth. Our findings establish that positioning within the global economy substantially influence each economy's tendency for generating deficient labor market demand. From this foundation, subsection two considers the composition of aggregate demand for each country. We find that Egypt and Tunisia have pursued consumption and government expenditure-led growth models highly dependent on debt financing. This fact, in conjunction with substantial external imbalances, leaves both economy highly vulnerable to creditor-imposed demand destruction. As for Morocco, we determine that the country maintains a slightly more balanced aggregate demand picture. That said, we note that credit growth weakened considerably starting in 2021 due to firms' reluctance to seek out new financing after accumulating large debt burdens during the pandemic. Even with massive levels of public investment, investment's total contribution to aggregate demand is therefore likely to track downward henceforth, a prognostication given greater credence by worrisome declines in industrial production capacity utilization in 2022.

Chapter VI serves as the report's conclusion. It starts with brief remarks on the effects that the Russo-Ukrainian war is having on macroeconomic performance in Egypt, Morocco, and Tunisia and by extension, upon the prospects of their social insurance systems. In the case of Egypt and Tunisia, we posit that both face significant headwinds to internal demand generation in the years ahead due to creditor-enforced fiscal consolidation, tight capital markets, and high exposure to

12 Insomuch as organizations like Tunisia's Union Generale Tunisien du Travail (UGTT) have earnestly championed the campaign to extend social insurance across society, it would be disingenuous to suggest that they are responsible for social insurance's lack of breadth.

13 In terms of mechanisms, they do so by advantaging themselves of tax evasion; conditionally reduced corporate income tax rates; and tax reductions on income derived from dividends, capital gains, interest and property sales.

global commodities markets. As is such, growth can be expected to stay anemic going forward. Given that the most likely way of elevating growth will generate little in terms of formal employment or tax receipts, this augurs ill for their national social insurance systems. As for Morocco, we identify downside risks stemming from export demand relying heavily upon the European market and volatile agricultural production. Furthermore and as was also the case with Egypt and Tunisia, we make the case that pass-through benefits to the social insurance system will be limited even in the event of healthy export performance due to agriculture's relatively low yields in terms of formal job creation and tax contributions.

Chapter I
The Foundations of Social Insurance and Healthcare Policy in Egypt, Morocco and Tunisia

The properties of Egypt, Morocco and Tunisia's social insurance models were partially induced through each country's experience with colonialism. Decisions taken by foreign administrators in servicing the needs of their civil servants laid down a proto-system of sorts. Thereafter, the interfacing between policy paradigm shifts in post-war metropoles and nationalist political mobilization in North African capitals buttressed and expanded these foundations. Things would not remain static across time, of course. Upon observing difficulties with industrialization, post-independence policymakers in each case study country endeavored, earnestly or not, to adapt social insurance to local conditions defined by high levels of informal economic activity and low labor force participation. In the final instance, however, the yield from these efforts proved fairly meager. With the onset of sovereign debt issues in the 1980s forcing fiscal consolidation, selective liberalization, and uneven state retreat from the economy, progress on the front of social insurance further stalled.

(a) Egypt

Social insurance measures in Egypt date as far as the mid-19th century, when a series of Khedival decrees established a pension system for a select elite of the civil service.[i] For a great many years thereafter, however, policy refinement and expansion would be obstructed by the rupture that was international financial control. Subsequent to that, Egypt's ambiguous de jure status during the first period of the British occupation (1882-1914) would only deepen the freeze.

Though stalled for a time, forward momentum on the social insurance front did eventual return, powered to no small degree by the emergence of a small though robust trade union movement.[ii] Progress accelerated considerably upon the rise of the Free Officers in 1952. Coming to power just a year after Egypt's first Social Security Law went into effect, Gamel Abdel Nasser and the Free Officers opted, in some ways, to build upon the foundations laid over the previous thirty years but in other ways, to discard them. Their first initiative was to deepen workers and citizens' legal claims to social insurance. With the passage of 1955's Law no.419, labor law was amended to vest contract workers with the right to healthcare, a retirement pension, and compensation in

the event of death or injury.[14] Upon the ratification of the 1971 constitution, these rights were then extended to the citizenry at large.[iii] Importantly, however, just as these legislative interventions were lending Egyptians' right to social insurance greater legal clarity, other policy choices were serving to abort the treasury-financed insurance model which had been tentatively instituted under 1950's Social Security Law: Facing the restraints of a stressed treasury and confident in the ultimate arrival of full employment, Nasser et al pivoted to a contribution-based insurance modality tying protections and benefits to employment.[iv]

Proceeding along a separate though interrelated track were the Nasserist state's efforts in constructing and/or reconfiguring the healthcare side of the emergent social insurance system. In the final instance, the approach adopted proved short on coherence. On the one hand, policymakers halfheartedly attempted to construct a state run, free-at-the-point-of-care healthcare system akin to the United Kingdom's National Health Service. The nationalization of charitable hospitals in 1964 was part and parcel of this effort. On the other, they proceeded forth in creating separate networks of hospitals accessible only to the employees of particular ministries. Simultaneously, they also set about developing an insurance-based healthcare model under the auspices of the Health Insurance Authority, which began operations in 1966 and which was mandated to deliver universal health insurance coverage within a decade.[v] Each initiative acting at cross purposes with the others, the immediate effect of these decisions was to splinter healthcare financing and to equip particular subpopulations with opt outs from the public hospital system. Second-order effects were equally profound. Failing to create a constituency large and motivated enough to fight for their success, public hospitals would suffer from consistent underfunding. This, in turn, led to the commercialization of specialized hospital services and the liberalization of prices, which drove up out-of-pocket expenses for end users. Left short in terms of capacity and quality of care despite commercialization, deficiencies with the public hospital network also pushed sizable segments of the insured and uninsured to either forego care altogether or seek it out in private institutions. The ultimate upshot: poor standards of care in public hospitals, low efficiency in health spending, suboptimal health outcomes at the population level, and unceasing inflation in service costs.[15]

Processes of path dependence would see to it that the fundaments of the Nasserist social insurance system held strong across time. That is not to say that this system was wholly unchanging, however. Indeed, upon Nasser's passing, President Anwar Sadat moved to both rationalize and redefine existing benefit schemes, open up private options, and to (unevenly) expand system coverage.[vi] This period also saw the establishment of a new administrative body for overseeing the now highly segmented social insurance ecosystem—the National Social Insurance Organiza-

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14 PJ Vatikiotis, *The History of Egypt* (Johns Hopkins University Press: 1986): 399

15 For an overview of this history, see: Mohammad Gad, "Financial analysis of health system shifts in Egypt: searching for 'gratuitousness' and the right to health", Policy Dialogue Report: Arab Reform Initiative (2022).

tion—as well as the imposition of novel directives requiring that the two largest pension funds, the Social Insurance Organization (SIO) and Pension Insurance Organization (PIO), allocate their reserves to the National Investment Bank (NIB).[vii] In the early days, the NIB primarily invested this capital into Egyptian sovereign debt instruments and public investment projects of wide variety. On the healthcare front, meanwhile, Sadat used his executive powers in 1975 to decree the state responsible for the costs of health treatment incurred by designated groups amongst the uninsured. Meant to lend legal clarity to a prevailing regime of gratuitous healthcare provision, Sadat's intervention—still on the books today via the Program of Treatment at the Expense of the State (PTES)—suffered from arbitrariness in decision-making, cumbersome application processes, and consistent underfunding from the get-go.[16]

Following Sadat' assassination in 1981, his successor, Hosni Mubarak, would add his own revisions to the wider social insurance system. At the outset, Mubarak's efforts primarily concerned administrative design: With the passage of 1994's Law no.207, the PIO was replaced by the Social Insurance Fund of Governmental Employees (SIFGE), the SIO by the Social Insurance Fund of the Private and Public Sector Employees (SIFPPSE), and management of both was brought under the direction of a newly formed National Authority of Social Insurance (NASI).[viii] Ministerial decree no.8 of 1998 later established the Investment Technical Committee and charged the body with directing the investment of a portion of the pension funds' reserves within the Egyptian stock exchange. On healthcare, the progressive incorporation of different categories of non-premium paying members into the insurance system managed to lift the coverage rate above 50% by the close of the millennium.[17] Insofar as these gains came partially at the expense the Health Insurance Organization's (HIO) financial health—the institution responsible for the insurance *and* care provision sides of health policy—however, it need be appreciated that the Mubarak regime's achievements were not devoid of downside risk. Their achievements were also compromised, at least in part, by the cost inefficiencies of the HIO, its inability to effectively pool risk, and its failures to redistribute resources in an equitable fashion.[18]

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16 Testament to this, despite health insurance coverage never reaching much more than half the population in contemporary Egyptian history, subsidies extended by the Ministry of Health (following the evaluation of Specialized Medical Councils) as part of the PTES program were only benefiting 2.5% of the population come the early 2000s. The distribution of subsidies, moreover, was rife with fraud accusations. See: Ministry of Health, Egypt, "National Health Accounts 2007/2008: Egypt", Report: Health Systems 20/20, Abt Associates (2010).

17 Through 1992's Law no.99, Egyptian school students acquired what amounted to subscription-free health insurance: The families of students were responsible for paying a token fee of LE 4 per annum for each child's policy. Those attending private schools were asked to supplement this premium with a sum equivalent to 10% of school tuition, up to LE 50. Five years later, a Ministerial Decree from the Ministry of Health and Population integrated all newborns, widowers of insured persons, and female-headed households into the health insurance system at the cost of a symbolic annual premium to be paid by their family.

18 Ahmed Yehia Khalifa et al, "Purchasing health services under Egypt's new universal health insurance law: what are the implications for universal health coverage", *The International Journal of Health Planning and Management* 37:2 (2021)

Considered in full, Egyptian social insurance system at the turn of century demonstrated a degree of solidity while leaving a great deal to be desired. On the one hand, the country's pension funds appeared in decent financial health. Nominally speaking, fund reserves were in the area of 50% GDP, and annual surpluses—while juiced by government transfers (particularly in the case of the government employee fund)—were regularly being run.[ix] A look beneath the hood, however, did give grounds for concerns: A large share of the pension funds' assets were only theoretical—held in the form of debt instruments forever rolled over at the National Investment Bank (NIB), instruments the NIB could not possibly amortize in practice. Furthermore, rumors abounded that the NIB used existing reserves to both cross-subsidize retirement payments to military personnel and help the government fund social assistance measures, rather than use them to acquire profit-generating assets.[19] Complicating the financial picture further, under Yousef Boutros-Ghali's direction, the Ministry of Finance in 2005 began unilaterally (and unlawfully) appropriating reserves from the social insurance funds to cover budget deficits of all kinds.[20]

Of even greater worry, moreover, was the enduring lack of inclusivity. Yes, progress had been made in incorporating more precarious members of the labor force into the social insurance system: By 2004, official reporting claimed coverage to have reached 5.5 million causal workers and 2.4 million of the self-employed.[21] And yet, promising as these figures looked at first glance, they both overstated the meaningfulness of the gains realized for the newly insured—the benefits furnished to these categories of workers were exceedingly limited—while belying the generalized decline in insurance coverage that had been incurred as a result of the privatization of state-owned enterprises (SOEs), a process that began in earnest in the late 1990s. It was largely by virtue of the latter that the ratio of insured workers fell from 51.6% in 1998 to less than 42% in 2006.[22] Add in the fact that only a small share of working-aged Egyptians participated in the labor market and this meant social insurance was a material irrelevance to a majority of the population. As the charged days of 2010-2011 approached, it was not only the case that a mere two of every five employed persons had social insurance[23], but only one in four of the working aged did, and one in five of those aged 20-29 year-olds.[24]

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19 See: Asya el-Meehy, "Power, culture, and pensions in Egypt", Memo: POMEPS Studies 31 (Social Policy in the Middle East and North Africa: 2014).

20 Yusuke Kawamura, "Pension reform in an authoritarian state: a case study of Egypt", *Public Administration Issues* Special Issue I: 2021): 102

21 Hoda Youssef et al, "Egypt Public Expenditure Review for Human Development, Volume I: Macroeconomic context, social assistance & pensions", Report: World Bank Group (2022): 98

22 Kawamura (2021): 94

23 Rania Roushdy and Irene Selwaness, "Who is covered and who underreports: an empirical analysis of access to social insurance on the Egyptian labor market", Report: Population Council Egypt Country Office (2012).

24 Mai Sieverding and Irene Selwaness, "Social protection in Egypt: a policy overview", Gender and Work in the MENA Region Working Paper Series no. 23 (Population Council: 2012).

(b) Morocco

Pre-modern modalities of social insurance have a long history in Morocco, finding their primary expression in the centralized systems of zakat collection and distribution which were maintained by a succession of monarchs (including the forbearers of the current Alaouite dynasty) until 1901.[25] Leave behind a few residual effects though these historical endowments did, in character and institutional form, the defining attributes of the contemporary social insurance system were nevertheless strongly mediated by the country's experience with European colonialism.

As was witnessed by so many territories enclosed within the French imperium, the initial impulse driving institutional development in Morocco emanated out from their foreign overseer's efforts to mind the needs of the colonial civil service.[x] A post-war paradigm shift in French imperial policy—reflected in what Guelmani describes as the emergence of the colonial welfare state—expedited things further. Legislation passed into law by the French parliament in 1950 extended the reach of 1946 Social Security Act to overseas departments, Morocco included. Cleared for take-off, the Caisse Nationale des Organismes de Prévoyance Sociale (CNOPS)—a comprehensive pension scheme for public sector employees—would be established shortly thereafter, as was the Fédération des Sociétés Mutualistes Du Secteur Public. Both institutions were retained once Morocco secured its independence in 1956, with CNOPS going on to constitute one of the two keystones of the post-colonial social insurance system. Twinned to it was La Caisse Nationale de Sécurité Sociale (CNSS). Like its public sector cousin, the CNSS's origins can be traced to the colonial period and to processes of labor organization and agitation which had largely excluded Moroccan workers.[xi] Introduced in 1959 in conjunction with the passage of the Social Security Law[26], the institution established a publicly managed insurance scheme for contracted private sector workers. In terms of rights and benefits, this segment of the labor force thereby secured old-age and sickness protections. Those employed in the industrial and commercial sectors, cooperatives, and the liberal professions also acquired claims to family allowances. Operating hand in glove with the also-still-in-operation Caisse Interprofessionale Marocaine de Retraite (CIMR)—an independently managed complementary pension fund established for public and private sector workers in 1949—the CNSS has acted as the linchpin of risk pooling for non-state formal sector workers ever since.

On the healthcare front of things, early postcolonial governments adopted an approach that in some ways resembled the Egyptian modality and in other ways broke new ground. As was the case

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25 Allison Minor et al, "Social protection in Morocco: the role of zakat", Report: Economic and Social Commission for Western Asia, United Nations (2015).

26 Institutionally, note that 1959's Social Security Law vested the Ministry of Labor and Social Affairs with supervisory powers over it and responsibility for old-age policy design.

with their peers to the east, the Moroccan state allowed for a partial fragmentation of healthcare provision. Particular departments of government—the Ministry of Defense most notably—developed and oversaw their own independent networks of hospitals, and the CNSS and CNOPS themselves were cleared to manage their own polyclinics beginning in the late 1970s.[27] Some effort was also devoted to developing the capacity of universally accessible state-run (and state-financed) healthcare facilities, as would be evinced in the building of local clinics and provincial and regional hospitals. Ultimately, however, the performance of public healthcare provision would underwhelm due to a lack of trained medical personnel and a lack of facilities in rural areas.

Like in Egypt, the passage of time brought reform though never transformation to the foundations just sketched. During the earlier stages (1972) of King Hassan II's reign, the benefit scheme delineated under 1959's Social Security Law was amended, furnishing eligible workers and their families—the latter of which were excluded from contemporaneous social policies in Egypt—with new benefits like death grants and unemployment benefits while rationalizing the terms of existing benefits. Two years later, administrative reform came, first via a 1974 law specifying that the reserves of the CNSS—healthy and growing like those of the CNOPS for most of the 20th century due to the relative youth of the labor force—be allocated to the Caisse de Depot at de Gestion (CDR), one of the country's state-owned financial institutions, for investment. A few years thereafter, legislative interventions restructured the organization of pension funds.[28] Beginning in the 1980s, a series of legislative efforts were also undertaken with the aim of incorporating hitherto excluded categories of workers into the social insurance system.[29] Alas, despite the efforts made, the yield in terms of insurance coverage expansion was fairly marginal. This was primarily due to the precarious, volatile, and informal character of agricultural employment and the enduring relative size of Morocco's agricultural labor force. It was also due, however, to the makhzen's allowing liberal professionals to self-exclude from the public social insurance system: As we will see, these workers' disregard for the solidaristic rationalities of state social insurance—and policymakers' unwillingness and/or inability to cut off their recourse to private insurance alternatives—has consistently undermined reform efforts.[30] Regardless, comparative to Tunisia and Egypt, social insurance coverage rates in Morocco remained exceedingly low by the start of King Mohammed VI's reign in 1999: Only between a fifth and a third of all employed persons had social insurance

27 Needing still more capacity, the post-colonial state also acquiesced to the expansion of private clinics, infirmaries, and hospital centers.

28 CNOPS was, for all effects and purposes, divided into three: the Caisse Marocaine des Retraits (CMR) became the primary insurance fund for civil servants and military personnel, the CNOPS became a supplementary insurance fund, and a new institution named La Regime Collectif d'Allocation de Retreaite (RCAR) was formed to manage the pensions of local government and state-owned enterprises' employees.

29 A 1981 amendment to the Social Security Law furnished salaried contract workers in the agricultural and forestry sectors with access to social insurance while a 1993 intervention integrated salaried artisans. Complementing measures centered on legal and institutional inclusion was a 1996 law which defined a minimum pension, a necessary addendum given the less consistent nature of work for the newly integrated categories of laborers.

30 Author's personnel correspondence with former government official (June 2023)

in the years preceding the Arab uprisings, figures translating to coverage rates of 10-15% when it came to the total working age population.[31] Partially as a result, public and private sector pension funds also began running into financial problems during the same period.

Pertaining to healthcare, the most significant policy pivot of the post-independence period came three years after Mohammed VI's ascension to the throne. In form, this pivot came by way of a two-pronged institutional shift: Firstly, an insurance scheme called the Assurance Maladie Obligatoire (AMO) was established, mandating that workers and employers incorporated within the social insurance system henceforth pay premiums to one of two public funds.[32] Secondly, a subsidized insurance scheme called RAMED was established for those that means testing deemed sufficiently poor. Unfortunately, as has often been the case when benefits are made conditional in contexts of high employment informality and poverty vulnerability, the effect of means-testing access to RAMED led to large segments of the population slipping through the cracks: Come the close of the 2010s, one out of every two Moroccans remained without health insurance of any kind.[33] Partially by consequence, out-of-pocket expenditures as a percentage of total health expenditures ranged between 55% and 60%.[34] Making matters worse, healthcare provision capacity remained mired in weakness: Medical and paramedical personnel per 1000 persons stagnated well below 2 during these same years, miles from the 4.45 threshold that the UN defined in laying out metrics of the Sustainable Development Goals.[35]

(c) Tunisia

Straying little form the trends evinced by our other case study countries, the properties and institutional contours of Tunisian social insurance were also induced through the country's experience with European colonialism.[36] Though legislation and administrative decisions made in the metropole did not apply directly in this instance—a quirk of the Regency of Tunisia never being abolished—Parisian-authored policy diffused all the same due to the de facto sovereign powers

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31 See: Lachen Achy, "Morocco's pension reform entails different social policies", Report: Al Hayat, Carnegie Middle East Center (2013)
World Bank, "Informality in Morocco", Policy Note (2022).

32 Public sector employees would henceforth contribute to the Health Insurance Fund and private sector employees to the Health Insurance Fund for Formal Sector Salaried Workers.

33 Dorothee Chen, "Morocco's subsidized health insurance regime for the poor and vulnerable populations: achievements and challenges", Universal Health Coverage Study Series no.36, World Bank Group (2018).

34 Sanaa Belabbes, "The Truth about health in Morocco: no health without workforce development", Occasional Paper Series no.35: Wilson Center Middle East Program (2020)

35 Data on Medical personnel drawn from the annual reports of the Ministry of Health

36 For a full review, see: Kressen Thyen and Klaus Schlichte "Appropriating the colonial state: the emergence of social insurance in Tunisia and Uganda" in Johanna Kuhlmann and Frank Nullmeier (eds.) *Causal mechanisms in the Global Development of Social Policies* (Palgrave Macmillian: 2022).
Mohamed Chaabane, "Towards the universalization of social security: the experience of Tunisia", Working Paper: International Labor Organization (2002).

of the French resident general in Tunis and the presence of a centralized administration populated by French bureaucrats and intelligence officers at the upper levels.[37] Come the aftermath of World War II and the aforementioned shift in French welfare policy, this would facilitate considerable institutional gains. In 1948, a contribution-based pension fund was established in Tunisia for permanent public sector employees (La Caisse Nationale de Retraite et de Prevoyances Sociale, or CNRPS). Three years later, a health scheme furnishing these workers with long-term sickness and surgery risk protection was established as well. As for those outside the state, the cause of their social insurance was likewise advanced through the interaction of metropolitan and local developments. At home, the burgeoning strength of the labor movement proved a major driver of events, capitalizing on the more progressive attitudes of their colonial overseers to establish a minimum wage and other basic protections over the course of the 1930s and 1940s.[xii] Alas, these gains notwithstanding, institutionalization of social security proper would still need wait for three contingent developments: The emergence of the Neo-Destour Party and its allyship with the labor movement was one, the partial unification of the labor movement under the Union Generale des Travailleurs Tunisiens (UGTT) a second[xiii], and national independence a critical third. Upon the coming of the latter, the Neo-Destour and UGTT—with the active support of the ILO—would jointly design a social insurance model corresponding closely to those of Morocco and Egypt. Trusting in industrialization's forward march, they too tied coverage to employment in contracted non-agricultural work, a decision specified through Law 60-30 of 1960, which also founded La Caisse Nationale de Sécurité Sociale (CNSS).[xiv]

On healthcare, neglect and divestment during French rule meant the extant infrastructure at the time of independence was limited to few general hospitals (most of which were located in Tunis); a constellation of small, religious or ethnically-affiliated facilities; and a handful of charitable institutions providing free care to the poor. It therefore fell upon the policy community lined up behind Habib Bourguiba to build a system almost from scratch. They did so by allocating a significant budget share—in the area of 15% per annum between 1956 and 1976—for the construction and operation of public healthcare facilities and the training of medical professionals.[38] The yield on investment was undeniably impressive, and health outcomes tracked steadily upward throughout the years in question. That said, as the distribution of public moneys concentrating along the coast, the impact of the state's interventions were always diminished within the interior of the country. When it came to financing the cost of care at the point of service, meanwhile, Bourguiba's policymakers showed themselves swayed by the same currents influencing events in Morocco and Egypt, opting for a hybrid model which combined state subsidies

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37 Omar Safi, *The Intelligence State in Tunisia: Security and Mukhabarat, 1881-1965* (Bloomsbury Academic Press: 2020).

38 See: Ferdinand Eibl, *Social Dictatorships: The Political Economy of the Welfare State in the Middle East and North Africa* (Oxford University Press: 2020).

and insurance payments. Subsidies were extended to cover expenses incurred at public facilities by those deemed sufficiently poor (roughly 30% of the population). Insurance policies set up for contributors to the CNSS and CNRPS, meanwhile, kept out-of-pocket expenditures for formal sector workers low.

As the years moved on, Habib Bourguiba and his successor, Zine el Abidine Ben Ali, like their counterparts in Morocco and Egypt, also endeavored to upgrade extant social insurance and healthcare systems. Pertaining to social insurance, coverage was notionally extended to number of previously excluded groups: Students were enfolded within the CNSS' health insurance and family allocation policies in 1965, agricultural workers employed by major farms were progressively incorporated up until 1981, workers in the diaspora gained access in 1989, and a host of traditionally more vulnerable groups—contracted domestic workers, short-term contract workers, own-account and small business fishermen and agriculturalists, and artists and the like—were legally integrated in 2002. If this all looked good on paper, due to these late arrivals were subject to different obligations and entitled to far smaller benefits than original members, in actuality, the groups in question often derived few material gains from legislative progress.[xv] Nor were substantive advances achieved in the domain of healthcare. Creditor-enforced fiscal consolidation—gathering steam from the late 1980s onward—would provoke major declines in public health system capacity and major shifts in who suffered the burden of healthcare spending.[xvi] Jointly, this led to the household share of total health expenditures jumping from 36% to 45% between the 1970s and 2007. More acutely, it led to 5% of households incurring catastrophic health expenditures per year, and 2% of households falling into poverty as a result of medical bills.[39]

Zooming out, by the early years of the 2000s, the coverage rate of the Tunisian social insurance system (70% of the labor force) was undoubtedly high as compared to Egypt and Morocco.[40] Its superior performance on this metric was attributable to a number of factors, including the relative smallness of the population and historically high levels of industrial and public sector employment (even in the aftermath of liberalization initiatives). Be that as it may, as the years counted down toward the uprisings of 2011, the Tunisian system too was coming to face issues of exclusivity as well as financial dangers brought on by changing patterns in job creation: By the late 2000s, only 37% of the working aged-population were active contributors to pension schemes.[41] As for healthcare, even if a 2008 reform initiative was to help bring more than 80% of the population under the umbrella of a health insurance scheme within a decade, millions were still struggling to

39 People's Health Movement, Medact, Medico International, Third World Network, Health Action International, and ALAMES, "The right to health in Tunisia" in *Global Health Watch: An Alternative World Health Report* (Zed Books Ltd: 2014).

40 Heba Elgazzar et al, "Consolidating social protection and labor policy in Tunisia: building systems, connecting to jobs", Policy Note: World Bank Group (2015): 20

41 Ibid

access adequate care due to regional and national shortages of doctors, facilities, equipment, and medicines. Insured or not, moreover, out-of-pocket spending remained quite elevated.[42]

The World Bank's Outlook on Social Insurance Reform during the 2000s

The poor coverage rates of Egypt, Morocco and Tunisia's social insurance and health insurance systems and the financial troubles of their pension funds attracted increasing attention of the countries' multilateral creditors, the World Bank first and foremost, starting in the early 2000s.[43] In 2005, the World Bank issued a comprehensive statement on the necessity of pension reform in the MENA region via a monograph entitled *Pensions in the Middle East and North Africa: Time for Change*.[44] Contained therein were both assessments of pension system performance and the terms of a reform agenda. Concerning the former, Bank personnel (rightly) noted that MENA pension funds—Egypt, Morocco, and Tunisia's included—favored middle and high-income workers in the public and formal private sector at the expense of low-income, informally employed workers. In addition, they flagged discrimination against rural communities and own-account workers as an acute issue, and made note of the "distortions" that pension systems engender vis-à-vis labor supply and savings decisions. Last but not least, report authors emphasized the looming financial stressors being brought on by demographic changes, early retirement ages, and the disjuncture between benefit promises from contribution rates. On the last of these points, they noted that MENA pensions—where the replacement rate averages at 80% the final wage for full career workers, and where caps installed for high earners are comparatively high—were considerably more generous than OECD countries. According to their framing, this not only engendered regressive redistributions of income amongst retirees, but "implicit pension system debts" of magnitudes sufficient to ensure that future generations will need suffer either reductions in benefits, higher rates of taxation, or expenditure cuts in other social services.[45]

In terms of policy fixes, though the report's authors were keen to assert their respect for local conditions and social values, they nevertheless advocated that extant systems be amended in six ways: (i) through retirement age increases and reductions in benefits; (ii)

42 World Health Organization, "Tunisia: Health systems profile", Report (2017).

43 The World Bank had begun advocating for pension reform in Tunisia back in 1993. See: Dmitri Vittas, "Options for pension reform in Tunisia", Working Paper 1154: Financial Sector Development Department—The World Bank (July 1993).

44 David Robalino, Edward Whitehouse, Anca Mataoanu, Alberto Musalem, Elisabeth Sherwood, Oleksiy Sluchynsky, *Pensions in the Middle East and North Africa: Time for Change* (World Bank: 2005).

45 See: Robalino et al (2005): Chapters 2 + 3.

through installing measures to ensure the protection of women; (iii) through ensuring greater transparency on pension system obligations; (iv) through enhancements of administrative capacity; (v) through coverage expansion; and (vi) through encouraging the development of voluntary, privately-run pension plans so as to reduce the state's responsibility in managing the risks of old age.[46] These recommendations were largely consistent with the World Bank's more global outlook on pension reform during the 1990s and 2000s. As Martin Heneghan has documented, the Bank, in its decades-long competition-cum-collaboration with the ILO, initially pushed countries around the world to privatize pension systems along the lines of the Chilean model before pivoting to a hybrid approach corresponding closely to the one adopted in engaging the Middle East and North Africa.[47]

In the years following the publication of *Pensions in the Middle East and North Africa*, the World Bank and its sister institutions mobilized—with varying degrees of energy—to advance the reform agenda just detailed in each of our case study countries. Broadly speaking, they and their partners did so through attaching conditionalities to lending arrangements, on the one hand, and through dispatching advisors, on the other.

Leveraging these mechanisms in Egypt[48], the Bank would be prominently involved with the ultimately aborted reform initiative launched by the businessmen's government of Ahmad Nazif.[xvii] At this time, the institution initially encouraged Nazif's governors to transition the country to a Notional (non-financial) Defined Contribution System structured similarly to Chile's system, a system where the benefits of retirees would not be defined but instead determined by the returns generated by the pension fund. In the final instance, the Bank's staff signed off on the mixed approach advanced by Nazif et al, one which combined parametric reforms with the splitting of benefits into defined and non-defined schemes.[49]

During this same period, the Bank was engaged, albeit less overtly so, in Morocco and Tunisia, too. In Morocco, its personnel consulted the national and technical commissions for pension reform that were established in 2007, as did experts from the ILO.[50] In Tunisia, the World Bank provided regular technical assistance to the Ministry of Social Affairs, including in carrying out an actuarial study to establish the financial sustainability of the

46 Ibid: Chapters 4-6.

47 See: Martin J Heneghan, "Setting the agenda: the World Bank and International Labour Organisation's battle to shape global pension policy", Doctoral Dissertation (The University of Sheffield: 2019).

48 For more details on the World Bank's technical advisory work on this reform push, see: Ismail Arslan, "Egypt: Positive results from knowledge sharing and modest lending: An IEG Country Assistance Evaluation 1999-2007", Report: Independent Evaluation Group—World Bank (2009).

49 See: El-Meehy (2017).

50 Diego Angel-Urdinola, Fatima el-Kadiri, and Montserrat Pallares-Miralles, "Morocco: Social Protection and Labor Diagnostic—Latest Revision", World Bank (May 2015): 14

pension system.[51] The IMF, for its part, threw its weight behind the new pension law that the Ben Ali regime was to present to parliament at the end of 2010.[52]

To recapitulate, the modality of social insurance that came to prevail in post-colonial Egypt, Morocco and Tunisia was one greatly influenced by each country's colonial past. Short on public finances and convinced that industrialization would lead to full employment, policymakers after independence made the decision to retain and buttress foundations laid during British and French rule, the conditioning of insurance access on contract work in particular. Though understandable if not unavoidable, this choice proved fateful with time as the promises of industrialization were short lived and ultimately reversed, condemning growing shares of national populations to the informal economy or lives outside the workforce altogether.

Reform initiatives of different types would be launched from the 1970s onward with the nominal aim of incorporating these persons into the social insurance system. Deficiencies in policy design and implementation, however, ensured their achievements were minimal. As is such, by the 2000s, majorities were either excluded or deriving scarce benefits from the risk pooling and material security furnished by social insurance systems. By virtue of these systems not welcoming enough new members to offset those transitioning into retirement, the financing of benefits for those fortunate enough to hold insurance was also becoming a dicey prospect. Compromised at two ends— by non-inclusivity and financial non-viability—the reform of social insurance became a priority for the three country's policymakers and multilateral creditors in the 2010s.

51 See: International Monetary Fund, "IMF Country Report no.13/161: Tunisia Request for a Stand-by Arrangement" (June 2013):25

52 See: International Monetary Fund, "IMF Country Report no.10/282: Article IV Consultation Staff Report" (September 2010): 13.

Chapter II
Processes of Change—Social Insurance and Healthcare Reform After 2011

The rupture of the Arab uprisings set Egypt, Morocco, and Tunisia onto their own political, social, and economic courses. Despite following their own distinct trajectories, each country wound up bringing its respective social insurance and healthcare systems up for reconsideration. The nature and inclusivity of the processes through which these systems were reconsidered varied significantly. So too did the changes wrought by the processes in question: Egypt and Morocco introduced substantive legislative and administrative reforms by the end of the last decade while in Tunisia, the most significant changes brokered was a two-year increase to the retirement age.

Regardless of outcome, historical process tracing makes plain that the course of events in our case study countries was determined through a complex interplay involving international organizations, national policymakers, and local powerbrokers. In the pages that follow, we will first interrogate this interplay so to tease out its animating principles. From there, we will furnish an overview of the policies that went into effect as a result.

a) Egypt

Following the coup against Egypt's first freely elected president Mohammed Morsi in 2013, the ascendant autocratic regime led by the ex-general Abdel Fatah el-Sisi began work on social insurance reform almost immediately. With an eye on shoring up support amongst retirees, governors initially followed their predecessors' examples by steadily raising pension payments via treasury transfers to the respective funds: Where these transfers accounted for just 2.4% of total social expenditures during financial year 2011/2012, by 2016/2017, they represented 12.4%.[53] Thereafter, planning for a more structural overhaul of the system commenced.

Participating in this process were a host of local and external actors. Setting the course of events from afar were Egypt's official creditors. Through the $12 billion Extended Fund Facility arranged with Sisi's government in 2016, the IMF stipulated—through the inclusion of a structural benchmark in the domain of fiscal policy and public financial management specified in the loans' terms—that comprehensive reform of the Social Insurance Fund be carried out.[54] The World Bank

53 El-Meehy (2017).

54 International Monetary Fund, "IMF Country Report no.17/17: Arab Republic of Egypt Request for Extended Arrangement under the Extended Fund Facility—Staff Report" (January 2017): 65

had its hands on the scale as well. An $898 million, eight year lending arrangement established with the Ministry of International Cooperation and Ministry of State for Administrative Development in 2015 entitled "Strengthening Social Safety Net Project" furnished capital and technical assistance for expanding the Karama and Takaful social assistance programs.[55] This pertains to the social insurance reform process in that one aspect of the expansion in question introduced cash transfers to non-insured elderly people deemed adequately poor by means-testing. For all effects and purposes, instituting this policy rendered the establishment of a universal pension system non-essential. In addition, the Bank enacted two other projects—2018's $530 million Transforming Egypt's Healthcare System Project and 2020's $400 million Supporting Egypt's Universal Health Insurance System—to help fund and design the organization of healthcare reform.[56]

Seen in full, it could be said that Egypt's official creditors ringfenced the deliberative process. Other principals, however, fleshed out the details of reform. In view of the coercive tactics adopted by the regime while consolidating its power, it is perhaps unsurprising that the independent labor organizations—namely, the (pro-government) Egyptian Federation of Independent Trade Unions and the Egyptian Democratic Labor Confederation—were excluded from deliberations, as were more radically-minded civil society organizations. The social dialogue nominally meant to inform the development of policy, then, can hardly be said to have occurred. Rather, the drafting committee set up in the parliament for preparing the legislation was one almost entirely insulated from popular voices. In terms of principals, it was populated by senior personnel from the Ministries of Finance and Social Affairs, respectively; representatives from the Army; actuarial experts; and a handful of individuals meant to voice the interest of pensions' associations. Taking the lead in advising these parties from the outside, meanwhile, were experts sent by the ILO.[57]

After roughly two years of work and discussion, the reform push initiated by the Sisi regime at last bore fruit with the passage of Law no.148 of 2019. In some ways, the legislation closely resembled the Nazif-era package which had been scheduled to go into effect in 2011 before being discarded in the aftermath of the uprising. In other ways, it marked a novel intervention.

Reduced to its most essential elements, the new Social Security and Pension bill installed the following changes: (a) the unification of parametric criteria for pension calculations; (b) the unification of pension fund administration—bringing an end to the institutional separation of public

55 For a review, see: Nahla Zeitoun, "Implementation Status and Results Report: Strengthening Social Safety Net Project P145699", World Bank (January 2023).

56 See: Amr Elshakani, "Implementation Status and Results Report: Transforming Egypt's Health Care System P167000", World Bank (April 2023).
Amr ElShakani and Pia Helene Schneider, "Implementation Status and Results Report: Supporting Egypt's Universal Health Insurance System Project", World Bank (January 2023).

57 See: Kawamura (2021)

and private sector social insurance schemes; (c) the empowerment of the National Organization of Social Insurance (NOSI) as the singular manager of pension programs; (d) an increase to the statutory retirement age; (e) heightened restrictions on qualifications for early retirement; (f) rationalized pension indexation; (g) an increase in the minimum number of contributions required to qualify for a pension; (h) temporary reductions on the contribution rates of hitherto informally employed workers (actualized through state subsidies); (i) an increase on the ceiling on insured earnings; (j) a restructuring of the (sizable) debts owed to the pension funds by the Ministry of Finance (by way of the National Investment Bank; (k) a new protocol for annual transfers from the Ministry of Finance to NOSI[xviii] and (l) an increase in the minimum share of pension fund annual surplus (75%) that must be invested in government treasury bills and bonds.

In addition, note that complementing this wider redefinition of the wider social insurance universe were a few auxiliary measures introduced executive edict in the space of social protection. Specifically, as intimated in our review of the World Bank's role in proceedings, the activation of the Karama and Takaful programs would establish minimum pensions for a portion of those deemed officially impoverished.[58] After Covid-era expansions, these programs were, according to official government statements, providing conditional cash transfers (non-contributory pensions included) to approximately 20 million Egyptians.[59] This figure represented roughly a third of those qualifying as either poor or at risk of falling into poverty by the lower middle income standard of PPP $3.20 per day.[60]

Table 1. Social Insurance in Egypt

Type of Insurance		Contribution rates (% of wage)					
		Pre-2019			Post-2019		
		Employer	Employee	Total	Employer	Employee	Total
Old age, disability, and death	Employee	15	10	25	12	9	21
	Self-employed	0	15	15	12	9	21
	Worker abroad	0	22.5	22.5	12	9	21
End of Service Indemnity		2	3	5	1	1	2

58 Shatha Abdulsamad, "Towards strengthening socioeconomic justice in Egypt amid a new IMF loan", Policy Brief: Alternative Policy Solutions, University of Cairo (2022).

59 Iris Boutros, "Egypt's cash transfers: considering costs and benefits of conditions and community monitoring", *Daily News Egypt* (August 4, 2022).

60 Following the extreme inflationary wave witnessed in 2022, it can be assumed that these programs reach a far smaller share of Egypt's poor today. See: Rabah Arezki, "Egypt's economic crisis is a golden opportunity", Commentary: Project Syndicate (January 2023).

Work Injuries	Government	1	0	1	1.25	0	1.25
	Public	2	0	2	1.25	0	1.25
	Private	3	0	3	1.5	0	1.5
Illness/Sickness	Government	3	1	4	3	1	4
	Public						
	Private	4	1	5	3.25	1	4.25
Unemployment (public and private)		2	0	2	1	0	1
Total	Government	**21**	**14**	**35**	**17.25**	**11**	**28.25**
	Public	**24**	**14**	**38**	**18.25**	**11**	**29.25**
	Private	**26**	**14**	**40**	**18.75**	**11**	**29.75**

** For self-employed, government makes up the "employer" contribution share*
*** Employer and employee old age contributions to increase by 0.5% for the first 7 years of the new law's existence*

Note that the 2019 reforms also introduced the following changes:
(1) An increase in the retirement age
(2) An expansion in the pensionable wage
(3) Changes in the calculation of the pensionable wage (now determined based on the life-time wage)
(4) Indexation of pension benefits to annual inflation (inflation adjustments previously done on ad-hoc basis)
(5) Increased service time requirements (15 v. 10 years of contributions necessary to qualify for pension)

One year prior to the passage of the Social Security and Pension bill, the Egyptian parliament had also signed off on a Presidential Palace-authored, World Bank-guided reform of the healthcare system. The drivers behind this initiative were multiple. Prominent amongst these were revelations from a National Health Accounts' study establishing that out-of-pocket contributions represented 59.6% of total health expenditures in Egypt, an enormous figure that was nearly 33% higher than the regional average.[61] Though less likely to be admitted by the policy authors or those who voted in favor of the bill, also taken into consideration were the interests of private healthcare providers.[62]

In its final form, the bill sanctioned by parliament—the Universal Health Insurance Law no.2 of 2018—corresponded closely to reform proposals put forth by the World Bank as far back as

61 Mohamed Gad, "Universal health insurance: gateway to privatization or protector against high treatment costs", *MadaMasr* (November 2017).

62 Angling both to be more fully included within the insurance network administered by the Health Insurance Organization (HIO) and for the chance to buy up state-owned facilities, the lobbying activities of these parties undoubtedly had an effect on the legislation's contents.

1998. As had been recommended two decades prior, the legislation introduced an administrative separation between the state's healthcare provision and insurance operations.[63] On the insurance front, note that the legislation introduced a novel Service Pricing Committee where the cost of healthcare services would be designated, and where private sector service providers were to be represented at a 25% clip. Note as well that the law dictated that price negotiations yield a "fair profit margin" for service providers, though asserted no criteria as to how a determination of fairness would be made. In addition, beyond imposing these institutional changes to the healthcare ecosystem, the Universal Health Insurance Law contained provisions for specifying the benefits that the insured are entitled to. Per Article 3, these benefits extend to "all diseases for diagnostic, therapeutic or rehabilitative purposes." The use of overly general language, however, as well as annotations indexed to the legislation, has introduced ambiguities onto what services, precisely, public insurance covers. In also choosing to exclude preventive, promotive and early detection services the orbit of public insurance altogether, the new system only muddies the waters further.[64]

Expectantly, contents of the Universal Health Insurance Law also spelled significant transformations for insurance enrollment and the financing of healthcare provision. Pertaining to the former, the law (and subsequent bylaws) establishes mandatory enrollment for the entirety of the citizenry. Enrollment initiatives will be carried out on a governorate by governorate basis over the course of a number of years. On financing, the law imposes compulsory insurance contributions on all citizens barring military personnel—who will continue to have access to their separate healthcare infrastructure—and special categories of the "disadvantaged."[xix] In the latter's case, premiums are covered by the public treasury to the tune of 5% the minimum wage per subscriber. For everyone else, the compulsory nature of contributions is enforced by tying school registration and the renewal of one's national ID to the presentation of premium receipts. The magnitude of the compulsory insurance contributions now incumbent upon the citizenry has also been altered. Whereas the previous law deducted a percentage of individuals' primary income to fund their insurance contributions, the new law does so through deducing a higher percentage from individuals' *total* income.[65] To supplement the funding stream sourced from premiums, the also law established a

63 Henceforth, a Universal Health Insurance Authority (UHIA) was made responsible for receiving insurance contributions, designating the services covered by insurance, negotiating the prices of services, contracting eligible service providers, and managing the finances of the insurance system more generally. To handle care provision, a separate body called the Authority of Healthcare was spun off and mandated to administer public facilities and to oversee the rehabilitation of private ones so as to render the latter fit for incorporation with the insurance network. For dealing with hospital accreditation and quality control operations, finally, a third institutional body called the General Authority for Healthcare Accreditation and Regulation was created.

64 Under the terms of the law, these items are funded through annual budget lines allocated to the Ministry of Health and Population. Insomuch as this exclusion incentivizes providers to focus on curative treatment due to their being able to claim lesser fees from the Ministry of Health and Population than from the UHIA, it is likely the new system will also lead to capacity losses when it comes to preventive and promotive care.

65 That said, though note that insurance premium payments, like those made to any public and private insurance scheme, are tax deductible up to 15% a person's net income (or 10,000 EGP).

new cost-sharing mechanism. For most services and medications, insured patients are now billed 10% the total cost with an inflation-tied cap imposed to limit their maximum obligations.[66]

b) Morocco

The processes through which Morocco's social insurance and healthcare systems were reformed post-2011 were not dissimilar from what was observed in Egypt. The same can be said of the antecedent conditions compelling the reform push.

Like in Egypt, Moroccan policymakers and external creditors were undoubtedly troubled by the lack of inclusiveness: less than a third of the population was covered under the social insurance system as of the mid-2010s, and only 10% of Morocco's elderly were collecting a pension.[67] Nevertheless, the balance of evidence suggests they were driven to action primarily as a result of the distressing reversal in the financial performance of the country's pension funds.[68] Whereas a decade prior the country's pension funds had been running annual surpluses equivalent to 1% GDP, by the time of the uprisings, they were trending rather ominously toward obsolescence. In 2013, Morocco's High Planning Commission warned that without change, these funds would accumulate aggregate annual deficits equivalent to 7.4% GDP as early as 2050. With more than a touch of melodrama, Prime Minister Abdelilah Benkirane posited this would lead to a Greek-style financial collapse. Two years later, the same Benkirane informed parliament that the CMR—the pension fund for civil servants and military personnel—would also fall into deficit beginning in 2016, and that the state would need double its transfers to the fund as of 2019. Nor were things projected to be any rosier for those public sector workers[xx] whose retirements had been entrusted to the Regime Collectif d'Allocation de Retraite (RCAR): an Oxford Business Group report published in and around the same time estimated the Fund would be unable to independently meet obligations from 2027 on.[69] Socially insured private sector workers looked to share the same fate, too.[70]

Taking in the lay of the land, a number of actors and institutions—domestic and foreign—set about advancing the cause of reform. In 2015, Benkirane's government passed a new auto-entrepreneurship law meant to bring non-agricultural self-employed persons into the tax system,

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66 As of 2020, for most medications, the cap was 1000 Egyptian pounds; for lab tests and radiology, it was 750 Egyptian pounds

67 See: Angel-Urdinola et al (2014): 16-17

68 Aya Achour, Ales Bulli, Omar Chafik, and Adam Remo, "The Morocco policy analysis model: theoretical framework and policy scenarios", IMF Working Paper 21:122 (2021).

69 See: Tarek Bazza, "Report: Morocco's pension funds in danger of bankruptcy", *Morocco World News* (August 3, 2018).

70 A report on social protection from the Economic, Social and Environmental Council calculated that the CNSS would drift into "technical deficit"—i.e. run annual losses absent transfers from the treasury—starting in 2018, that deficits proper would arrive in 2027, and that fund reserves would be depleted as of 2044

though not the social insurance system.[71] By furnishing few incentives to the targeted populations and leaving out the largest sector of informal economic activity—agriculture—the law yielded few gains. Leveraging financial powers and expertise, Morocco's official creditors also worked to set an agenda. The World Bank announced its intentions in these regards in 2012 upon the release of a Strategic Framework Paper on Targeting and Social Protection.[72] Following the roadmap laid, the institution later developed and extended a $300 million Second Capital Market Development SME Finance Development Policy Loan (DPL) in 2016. As expressed in the DPL, the primary focus of the Bank's technical staff related to the pension schemes furnished by the CMR to military and civil service personnel. Per objective two of the loan, the goal was to revise accrual and replacement rates in such a manner as to ensure the CMR could continue to provide a source of institutional demand for capital market securities.[73] Three years later, the Bank redoubled its commitments vis-à-vis social insurance reform, as would be revealed in the Country Partnership Framework (2019-2024).[74] Per the contents of the five year strategic plan, the Bank was to continue mobilizing knowledge generation and technical assistance to aid Moroccan counterparts in carrying out the "2nd phase" of pension reform[75], which referred to the expansion of social insurance coverage.

Swimming in the same direction through, the IMF cosigned the Bank's efforts by installing pension reform as one of the five fiscal reform priorities listed within the Precautionary and Liquidity Line Arrangement extended to Morocco in 2016.[76] As a gatekeeper to international capital markets, the weight imposed through the Fund's inclusion of this provision ought not be diminished.

Domestically, Morocco's three largest trade unions opposed the reform initiative thereby set in motion from the start.[77] Alas, neither they nor any other civil society group retained the political strength needed to blunt the momentum gathering for reform. The unions in particular also evinced an absence of vision when it came to thinking up what more positives alternative to the status quo might look like. This ceded the floor to the politicians. In the early years of the post-2011 era, the onus thereby fell upon the ascendant Justice and Development Party (PJD). Trending towards the conservatism typical of Muslim Brotherhood-associated parties, the PJD

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71 See: Othmane Bourhaba and Max Gallien, "Informal work and auto-entrepreneurship laws in the Maghreb: What can Tunisia learn from Morocco", Blog: Friedrich Ebert Stiftung MENA (January 11, 2021).

72 See: World Bank, "Towards a more coherent social protection system in Morocco", Press Release (May 30, 2012).

73 See: World Bank Report No. AB7824, "Program Information Document (PID) Concept Stage: MA-Second Capital Market Development and SME Finance DPL": 3

74 See: IBRD, IFC, and MIGA, "Country Partnership Framework for the Kingdom of Morocco for the period FY19-FY24", Report no.131039-MA (January 18, 2019).

75 Ibid: 37, 65.

76 International Monetary Fund, "IMF Country Report no.17/146: First Review under the Arrangement Under the Precautionary and Liquidity Line—Staff Report" (June 2017): 8.

77 Oxford Business Group Administrator, "Demographic changes lead to pension reform in Morocco", Analysis: Oxford Business Group (September 2015).

would predictably show themselves light on transformative ideas. Once the Palace managed to outmaneuver the PJD through exploiting the fractures which opened between the party and its coalition partners in the winter of 2013, this meant that the *makhzen* could regain the steering wheel when planning for social insurance reform begun in earnest around 2015.[78]

As it played out, reform would come incrementally. The initial focus was restrictive, solely concerning the viability of the CMR.[79] In 2015, the PJD-led government passed legislative package comprised of Loi 71.14 and Loi 72.14 that reset the parametric foundations of this fund for civil servants and military personnel by raising the retirement age, lowering the annuity rate and reference salary for pension calculations, and increasing employee and employer contribution rates.[80] In 2016 while still under Benkirane's leadership, it then steered legislation which established a new regulator in the domain of insurance and social welfare in the form of the Supervisory Authority of Insurance and Social Welfare (ACAPS). Contrary to what was seen in Egypt, note that the Benkirane reforms neither unified contribution rates nor parametric criteria.[xxi]

Table 2. Social Insurance in Morocco

CNSS: Salaried Workers				
	Contribution Rates (% Wage)			
Type of Insurance	**Employer**	**Employee**	**Total**	**Ceiling**
Sickness, death, unemployment, and maternity	1.05	0.52	1.57	6000 MD
Retirement	7.93	3.96	11.89	6000 MD
Family benefits	6.4		6.4	NA
Base AMO	2.26		2.26	NA
AMO Solidarity Payment	1.85	2.26	4.11	NA
Professional Development	1.6		1.6	NA
Total	**21.09**	**6.74**	**27.83**	

78 See: Mohammed Masbah, "Morocco's slow motion reform process: the tug of war between the Palace and the Justice and Development Party", *Stiftung Wissenschaft und Politik Comments* 6 (January 2014).

79 Author personal correspondence, former government official (June 2023).

80 Hind El-Houjjaji and Abdellah Echaoui, "Assessing the financial sustainability of parametric pension system reforms: the case of Morocco", Munich Personal rePEc Archive (2020).

CNSS: Non-Salaried Workers				
	Contribution Rates (% Wage)			
Type of Insurance	Worker			
Retirement	10			
AMO Base + Solidarity Payment	6.37			
Total	**16.37**			
CMR: Civil Servants				
	Contribution Rates (% Wage, post-reform)			
Type of Insurance	State	Employee	Total	Ceiling
Retirement, Survivors pension, death indemnity	14	14	28	NA
CMR: Military				
Type of Insurance	State	Employee	Total	Ceiling
Retirement, Survivors pension, death indemnity	20	10	30	NA
RCAR				
Type of Insurance	Employer	Employee	Total	Ceiling
Retirement, Survivors pension, death indemnity	12	6	18	NA

Note that the reforms of 2010s introduced the following changes to the CMR:
(1) An increase in the retirement age (60 to 63)
(2) A reduction in the accrual rate (2.5%-2.0%)

Administrative change established and the main public sector pension fund restructured, the Palace and its internal and external advisors next turned to addressing social insurance's inclusivity problem. These efforts were but a part of the largest planning initiative witnessed in decades. Commissioned by Mohamed VI in 2018, the initiative in question was directed by the Ad-hoc Committee on the Development Model, a body led by former Interior Minister Chakib Benmoussa.[81] Bringing together the top technocrats of the state with the advisors to the *makhzen* and business and civil society leaders, Benmoussa's committee was charged with the grandiose task alluded to in its name: devising a new development model. At a level of higher abstraction, their job was to reconfigure the social contract between the monarchy and different segments of the citizenry, thereby reinforcing the bind between state and populace.[82] In terms of process, the Committee developed a basic reform architecture for each relevant

81 See: Beatriz Tome-Alonso and Marta Garcia de Paredes, "Towards a new social pact in Morocco? The 'new' development model and the COVID-19 crisis", Report: *IEMED Mediterranean Yearbook 2020*

82 On the relation between social negotiations and political stability in Morocco, see: Qi Jiang, "The influence of the social contract on the stability of Moroccan society after its independence", *British Journal of Middle Eastern Studies* (February 2023).

policy domain before consulting a wide constellation of actors, inclusive of party representatives in parliament, academic experts, and civil society organizations engaged in the cause of youth and women's rights.[83]

What the commission came up with would be revealed in the spring of 2021 with the publication of New Model of Development report. Shortly thereafter, recommendations on social insurance were turned into action. Change came first via the King's issuance of a number of executive decrees, though more substantively upon his presentation of a new framework law on social protection. The development and ultimate passage into law of this transformative piece of legislation was considerably enhanced by the PJD's striking electoral collapse in early 2021. Upon the formation of the Akhannouch government, the Prime Minister-led National Commission for Reforming Pensions, which had hitherto been frozen, began meeting in earnest. So too did the National Commission's technical committee, a corporatist body directed by the Minister of Finance which brought together representatives from the trade union federation with those from the business association.[84]

With all principals focused on the task at hand and social protection elevated to a foundational pillar of the state's development strategy, the reform package which would be ratified by unanimous vote in both houses of parliament in March evinced unquestionable ambition. In conjunction with a few auxiliary measures, Loi 09.21 delineated a five-year plan for universalizing compulsory health insurance, old age and retirement and unemployment insurance, and family benefits.[xxii] The bill for the proposed retrofitting of the social insurance system came in at robust 5€ billion per annum, roughly 2€ billion of which was to be financed from the general budget with the remainder covered by aid and discretionary transfers.

Pertaining to old age insurance, pension inclusivity was to be advanced through a three-pronged approach. Firstly, well-off firms—a category prominently including liberal professional enterprises hitherto classified as "illegally informal"—were going to be pressured into enrolling their businesses and employees within the normal CNSS-managed insurance scheme. Secondly, a separate scheme was to be established within the CNSS network for the purposes of enlisting more precarious salaried and non-salaried workers into the social insurance system. Organized around the novel Single Professional Contribution System (SPCS) and rolled out over the course of a half decade, the scheme in question levies a universal mandatory contribution rate of 10%, sets ten-years as the contribution floor for pension eligibility, and specifies profession-specific fixed

83 Author personal correspondence, former government official (June 2023).

84 Ibid

salary bases ranging from 0.75 to 2.75 the minimum wage.[85] Thirdly, conditions on access to conditional cash transfers were to be loosened so to support more categories of non-workers in their old age. As relates to allotments for family benefits—benefits paid entirely out of the firm's CNSS contributions in the case of members registered to the system's normal scheme—the 2021 roadmap projected their extension, funded exclusively through state subsidies, to reach SPCS-enlisted persons starting in 2023.[86]

The reform push guided by the New Model of Development touched healthcare provision and insurance, too. In these domains, policymakers were compelled to address both the particular quandary that was the non-extension of health insurance into rural areas and the generalized policy failure manifest in the fact of the country's twelve million uninsured and comparatively high out-of-pocket expenditures.[xxiii] Toward this end, they ultimately adopted a dual focus. The first was insurance-centric: Steps were taken to accelerate the enrollment of informal sector workers within the Compulsory Health Insurance Scheme (AMO) via the aforementioned Single Professional Contribution System (SPCS).[87] In addition, policymakers expanded access to the Medical Assistance Scheme (RAMED) which had been established in the early 2000s for the support of vulnerable populations.[88] The second focus of reform centered on the capacity of the national healthcare system. Part and parcel of this, reforms would mobilize sizable sums for the education and training of doctors and for improving remuneration schemes for medical professionals. In keeping with terms specified under the Ministry of Health's 2018 National Healthcare Plan 2025, even larger allotments—roughly $1.5 billion—would also be designated for upgrading facilities and expanding hospital bed capacity (especially in rural areas). According to official plans, the ultimate yield of these investments will include eight new regional teaching hospitals, four new university hospitals, and twenty-nine new urgent care facilities in addition to twenty-one rehabilitated regional and provincial hospital centers.[89] All in all, then, and as the scale of this building project alone attests, Morocco's post-2011 reforms to its social and health insurance systems plotted a rather totalizing transformation.

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85 Note that workers in any category retain the right to set a fixed salary base above the level of the professional category to which they are classified, and that pledges toward across-the-board pension increases beginning 2025 have been made by Prime Minister Akhanouch.
See: Issam Toutate, "Morccan government sets non-taxed artisans' contribution to social coverage", *Morocco World News* (December 25, 2021)
For an overview of contribution rates, see: Centre des Liaiasons Europeenes et Internationales de Securite Sociale, "Les cotisations au Maroc 2022". <https://www.cleiss.fr/docs/cotisations/maroc.html>

86 Abderrahmane Naji, "Social protection in Morocco", *MEER* (2021).

87 For those integrated into the SPCS, a contribution rate of 6.37% the salary base of one's designated profession was imposed, the payment of which secured AMO health insurance for oneself and one's dependence.

88 La Commission Speciale sur le Modele de Developpement, "The New Development Model: releasing energies and regaining trust to accelerate the march of progress and prosperity for all", General Report: Royaume du Maroc (April 2021).

89 International Trade Administration of the U.S. Department of Commerce, "Country Commercial Guides: Morocco – Health Sector" (2022).

c) Tunisia

In Tunisia as in Morocco (and to a slightly lesser extent, in Egypt), it was the finances of the pension funds which demanded a reckoning most of all post-2011. The consolidation of the country's demographic transition—between 2010 and 2019, the share of the population that was of working age shrank from 73% to 66%—had combined with policy initiatives aimed at moving senior public sector employees off the state payroll to push a growing share of the population into retirement. This epochal shift, in conjunction with the secular jump in inflation that was witnessed in the years following the uprisings, implied sizable increases to the expenditures of the country's major pension funds: Where the CNRPS' annual outlays had been equivalent to 2.8% GDP in 2010, they reached 4.7% GDP in 2018.[90] The CNSS' obligations, meanwhile, tripled between 2006 and 2016 to hit TD 2.62 billion, while the RSNA's increased obligations to pensioners were of such a magnitude as to fully deplete the fund's reserves come the end of 2016.[91]

Though the upswings in obligations did not spell trouble in and of themselves, they would in the context of stagnant formal sector job creation. And despite major state hiring campaigns, formal sector job creation was stagnant indeed in the aftermath of 2011. This redounded onto the CNRPS, CNSS, and RSNA most immediately in the form of precipitously declining contributor-pensioner ratios.

With too little income coming in to keep up with the growing expenditures, it also translated into spiraling deficits. Having run an aggregate of deficit of just TD 30 million in 2005, the funds' annual deficits would quadruple between 2010 and 2016[92], leading to net losses of TD 2.5 billion in 2017.[93] Even with sizable treasury transfers helping close the gap, the magnitude of these deficits (and the delays which marked government support) sufficed to build up liquidity issues across the economy of social security—healthcare included.

Forward looking projections, which accounted for the doubling of the country's old age dependency ratio over the next two decades, only painted a more worrisome picture[94]: The IMF estimated that the CNRPS' financing gap would top TD 15.9 billion as of 2040, a sum equivalent to about a fifth of Tunisia's 2016 GDP.[95] In the absence of legislative change, forecasts conducted

90 Khaled Nasri, Mohamed Amara, and Imane Helmi, "The landscape of social protection in Tunisia", Working Paper no.1592: Economic Research Forum (2022).

91 Houda Graiet and Faouzi Jilani, "Sustainability of pension systems in Tunisia: the effect of economic and demographic mutations", *Journal of North African Research in Business* (2019).

92 Abdoula Sy et al, "Tunisia Public Expenditure Review: A new pact for the transition—modernizing the state for better and fairer public spending", Overview Report: World Bank Group and the African Development Bank (2020): 15

93 Nasri et al (2022): 46

94 Ibid: 11

95 Sailendra Pattanayak et al, "Tunisia: fiscal transparency evaluation", Report: International Monetary Fund (2016): 10

by Graiet and Jilani posited that by 2050, the RSNA would be running annual deficits of TD 42 billion and the CNRPS annual deficits of TD 47 billion, figures equivalent to 2.41% GDP and 2.69% GDP, respectively. Throw in the CNSS' likely net negative earnings as well and the wider pension system would be needing treasury transfers in the ballpark of 6-7.5% GDP just to stay current on payments.

Naturally, all this attracted the attention of Tunisia's international partners. While hesitant to attach loan conditionalities due to the fragility of the political transition, the IMF included pension reform within the key components of its economic reform program (stipulated in the Memorandum of Economic and Financial Policies) starting with its first post-uprisings' lending package to the country: 2013's Stand-by Arrangement (SBA).[96] Subsequent to that, the Fund would emphasize the necessity of reform under each subsequent review of the SBA and in its most definitive statement on the economy— the 2015 Article IV Consultation—before reiterating its support for comprehensive pension reform in extending Tunisia an Extended Fund Facility (EFF) in 2016. The World Bank too intervened, albeit more at the margins than was the case in Morocco and Egypt. A small, 2013 lending arrangement with the Ministry of Development and International Cooperation contained measures for addressing the technical management of both the CNSS and CNRPS.[97] Technical assistance deployed through a much larger Development Policy Loan from 2018—the $500 million "Tunisia Investment, Competitiveness, and Inclusion Project"—also served to recommend pension reform to Tunisian policymakers.[98] Like the Fund's credit lines, however, this financial package from the World Bank lacked the kinds of hard conditionalities which might impose the desired change.

This being the case, the onus was largely placed on local actors. Though eager to bring more people under the umbrella of social insurance—which it achieved through incorporating a share of the country's off-shore manufacturing workforce into its ranks—the UGTT held the line in pushing back against major parametric changes. Major business interests, as responsible as any for the pension system's deficits by virtue of their failure to make mandatory contributions, obstructed efforts to either enforce tax collection or collect unpaid obligations.[99] Those in parliament, meanwhile, showed themselves to be alternatively listless, shortsighted, influenced by those business interests, and distracted by other issues.[100] With governments turning over by the hour and vol-

96 See: International Monetary Fund, "Staff Report: IMF Country Report no.13/161—Tunisia Request for a Stand-by Arrangement" (June 2013): 56

97 See: Yuko Okamura, "Implementation Completion and Results Report—Tunisia Social Protection Reforms Support Project P144674", World Bank (November 2019).

98 Shireen Mahdi, "Implementation Completion and Results Report—Tunisia Investment, Competitiveness and Inclusion Project P161483", World Bank (April 2021): 29

99 Author personal correspondence with fiscal analyst (Tunis, 6/1/2023).

100 See: Colin Powers, "Chronicles of a death foretold: Democracy and dedevelopment in Tunisia", Report: Noria Research (May 2022).

atility paralyzing the ministries needed to steer any major planning effort, the state could hardly muster the necessary energy to lead a reform initiative, either.

And so, grave as the situation looked, little would be done to rectify things. The most significant reforms to old-age policy were a 2017 agreement to raise the retirement age from 60 to 62 (as of 2020) and the 2018 introduction of a new income tax—the contribution sociale de solidarite. With receipts to be earmarked for the social insurance system, the tax initially imposed a 1% levy on employee income—those earning less than TD 5000 per annum were exempt—and between a 3 and 4% levy on the profits of large corporations. Upon the passage of Budget Law of 2023, however, note that the tax on employee income was reduced to 0.5%.

A handful of smaller interventions were also launched with the aim of expanding social insurance inclusivity. Article 42 of the 2019 Budget Law offered an on-ramp to anyone currently outside the tax and social insurance systems via a simplified fiscal regime.[101] This provision was then partially negated by a decree law (Loi 33) issued by Elyes Fakhfakh in June of 2020 which established new tax and social insurance policies for the category of worker defined as autoentrepreneurs.[102] Whereas the budget law's provisions had been free of eligibility conditions, the decree law was targeted at those amongst the country's 680,000 informal, own-account workers employed in the industrial, trade, services, crafts, and agricultural/fishery sectors earning TD 75,000 or less per year.

Of great consequence, the law also restricted eligibility to those that were alternatively already registered with the tax system *or* capable of securing a fiscal license, the latter of which required the submission of documentation one's payment for office rentals and the like.[103] In terms of obligations, the law required registered persons to make quarterly income tax payments (equivalent to 0.5% turnover) as well as contributions to the CNSS (equivalent to 7.5% earnings).

In design, then, Loi 33 was discriminatory—a vast majority of the informally self-employed, especially those in the trade, services, and agricultural sectors, would retain neither the resources nor need for an office—and highly non-flexible. A mobile technology-led attempt at bringing workers in rural areas into the social insurance system was also launched through the Ahmeni (protect-me) Program. Meant to benefit agricultural and non-agricultural female workers lacking a consistent employer, the contribution-based Ahmeni Program leverages a mobile application to register targeted populations (500,000 persons in total) to the CNSS, obliging them to pay a contribution rate of 0.7 TD per day in exchange for their inclusion into the minimum insurance scheme.

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101 Noureddine Friaa, "L'autoentrepreneur: un nouveau regime qui merite d'etre reetuidie", *BDO Tunisie* (July 17, 2020).

102 The language of the law is available at the International Labour Organization's website: < https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/112215/140131/F288723179/TUN-112215.pdf>

103 See: Friaa (2020); Ben Hassen et al (2022): 5.

To date, uptake on the initiative has been quite low, with a mere fifteen thousand joining the social insurance system through this mechanism.[104] Additional reforms may be forthcoming should a new lending arrangement finally be agreed upon with the IMF. For now, however, these are the only ones on the books. And with the country's demographic transition well underway, this might spell real trouble: Tunisia's number of retirees is set to triple over the next twenty years, and the old age dependency ratio is scheduled to top 50% by the close of the century.[105] Healthcare reform, for what it is worth, has not even come up for meaningful debate over the past twelve years.

Table 3. Social Insurance in Tunisia

CNSS				
	Contribution Rates (% Wage)			
Type of Worker	**Benefits**	**Employer**	**Employee**	**Total**
Non-agricultural private sector	Old age, disability, occupational injuries	26.15	9.58	35.73
Agricultural private sector	Old age, disability, occupational injuries	12.89	20.27	33.16
Fishing sector	Old age, disability, occupational injuries	20.07	26.35	46.42
Self-employed (agricultural sector included)	Old age, disability, occupational injuries		15.31	15.31
Domestic and low-income workers	Old age, disability, occupational injuries	5.5	3.5	9
Workers Abroad	Old age and disability		13.3	13.3
Intellectuals, artists, and creators	Old age, disability, occupational injuries		15.31	15.31
Earnings measure for pension calculation				
Average salary over final 10 years of employment (for agricultural workers, the measure is the better average between the employee's final 3 and 5 years of employment				
CNRPS				
Benefits				
Pension, old age, survivor's pension, temporary pension for orphans, death benefit, children allowance				

104 Nasri et al (2022): 48

105 Bassem Snaije and Francis Ghiles, "Tunisia's choice: bankruptcy under dictatorship or economic rebirth and democracy", Publication: Rosa Luxemburg Foundation (May 2023).

	Contribution Rates (% Wage)		
Type of Insurance	**Employer**	**Employee**	**Total**
Public Sector (SoEs, municipal government)	14.5	9.2	23.7
State Civil Servant	20.5	13.2	33.7
Earnings measure for pension calculation			
Better between employee's final salary or the average of the employee's final two years of employment			

** Figures provided by CNSS and CNRPS*

Chapter III
Assessing Contemporary Social Insurance And Healthcare Policies

Though it is too early to know the full consequence of the social insurance and healthcare reforms introduced in Egypt, Morocco, and Tunisia over the last half decade, a preliminary evaluation of the changes installed can give us a sense for the road ahead. This chapter furnishes such an assessment, and one that accounts for both the social and financial effects of reform.

a) Egypt

The adjustments that the Sisi government imposed upon Egypt's social insurance system are not wholly without merit. The unification of parametric criteria and pension fund administration, for instance, has increased the portability of benefits. In ensuring that workers retain their entitlements even if forced to migrate from public to private sector in the course of their professional lives, this constitutes a significant improvement on the status quo ante.

That said, the system now in place still performs poorly across a number of relevant social metrics. To begin, insurance coverage rates remain weak: The latest data available shows that only 28% of the working age population and 55% of the employed are incorporated within the public insurance system.[106] Making matters worse, distressing though these figures are, they are actually inflated: By not accounting for gaps in legal and effective rates of coverage in the case of casual workers, official statistics overstate the number of persons that will be eligible to benefit from social insurance in practice to a non-insignificant degree.

Real vs. Unreal Inclusion in Social Insurance

Gaps in legal and effective rates are not strictly a function of the irregularities of casual work. They are also outcomes born of policy choice. 2019's Social Security and Pension law raised the floor on the number years one must make contributions for in order to claim a pension from ten to fifteen years. For casual workers with employment trajectories marked by frequent breaks in activity, this had a negative effect on benefit access.

106 Sy et al (2020): 86

Perhaps more significant in impact, the terms of the law also inadequately incentivized precarious workers into making subscriptions to the insurance system. Two matters are most salient in these regards. The first is the insufficiency of the state's contribution supports. While subsidizing the "employer share" of a casual worker's statutory obligations to NOSI, the 2019 law still raised the minimum contribution required of the worker to a baseline of EGP 100 per month and subjected that baseline to annual increases of 15% up and through 2027. (The 15% figure was selected because of plans to increase the minimum wage by 15% per annum over the same period). Given growing distrust in government, for many persons engaged in casual work—spaces where formal regulations and things like minimum wages often have less purchase—these burdens, though not exceptionally high, are significant enough to stop them from paying into the social insurance system. The second matter is the non-complementarity of social protection and social insurance policies. Neither the 2019 law nor subsequent bylaws has done anything to clear up ambiguities as relates to whether participation in social insurance may disqualify a person from receiving means-tested social protection benefits. Temporary cash assistance programs launched during the pandemic by the Ministry of Manpower muddied the waters further by expressly excluding members of social insurance schemes.

In combination with the burdensomeness of contribution obligations (and the dimunitive nature of benefits; more on that below), the upshot of this confusion has been to convince casual workers that is better to stay informal so as to hold on to all their earnings while still retaining benefits furnished by Takaful and Karama. For these reasons amongst others, the number of casual workers with social insurance coverage has actually declined substantially in recent years, with the drop particularly steep in the period following the passage of the 2019 law: Where counting 7.9 million in 2004, only 2.2 million casual workers are presently enrolled in the social insurance system.[107] Add these losses to hose incurred as a result of declines in public sector hiring and the early retirement initiatives adopted by the Sisi government in order to bring down the state payroll and you get the poor rates of social insurance coverage documented above.

Nor, unfortunately, are coverage failures the only relevant shortcoming of social insurance when it comes to social performance: Parametric changes introduced in 2019—adjustments in wage valorization and benefit indexation in particular—are also poised to provoke a massive decline in the purchasing power of an average pension in the years ahead. By the World Banks' estimates, the replacement rate (i.e. the ratio of a pension to the current average wage) is to drop by approx-

107 Hoda Youssef, Mark Ahern et al. "Egypt public expenditure review for human development Volume I: Macroeconomic context, social assistance & pensions", Report: World Bank Group (September 2022): 98.

imately 66% over the next fifty years. Barring mitigating measures, the Bank's prognostications show that as early as 2035, the average pension received by persons presently retired will be worth just 30% the average wage. For a reference point, the average Egyptian pension in 2021 was equivalent to 75% the average wage. Things will be little better, moreover, for those still in the workforce today: The average male paying into the social insurance system at the time of writing can anticipate collecting a pension worth roughly 35% the mean wage come 2041, and the average female to collect one worth less than 30%.

Of course, worst off of all will be the precarious, low-income workers that have managed to migrate into the social insurance system in recent years and that currently represent about one of every five pensioners. Their retirement benefits being tied to the minimum wage, these workers, like those collecting pensions reserved for special categories like widows' and orphans', presently claim a pension equivalent to 35% the average pension. In the long term, this is expected to erode to the point that minimum pensioners take will be equivalent to just 6% the average pension—declining to the point that is their monthly check will equate to a mere 10% of the average wage.[108] Tragically, these prospective losses will not only condemn millions of people to suffer extreme vulnerability. They will also impose corrosive distributive effects. Such losses in the value of the poor's pensions will come, after all, while top earners are to benefit from 15% annual increases to the ceiling on insured earnings.[xxiv] Taking this into account, it can be projected that old-age outcomes will grow even more polarized in the years ahead.

Evaluated in full, then, the following stylized facts look set to define the future of Egyptian social insurance: stubborn exclusivity, a degraded quality of old-age insurance provision, and a net negative contribution to inequality.

Military pensions and the military industrial complex

The officer class of the military have ranked amongst the largest beneficiaries of the social insurance system to date. Relative to others, their accrual rates have been high, their contribution rates low, and their entitlement to early retirements unique. Nevertheless, due to their pension packages being limited by Egypt's low ceiling on insured earnings (EGP 8100 post-2019), pressure has fallen upon the state to furnish these highly influential persons with post-retirement opportunities for earning additional income. Though hardly the only variable involved, this pressure has been one of the forces undergirding the enormous expansion of the military industrial complex in Egypt over the last ten years.[109]

108 Youssef et al (2022): 92-96

109 Jean-Pierre Sereni, "Egypt's military economy under threat from the IMF", *Orient XXI* (May 10, 2022).

It is not as if the disappointing performance of the social insurance system allowed for the revitalization of the pension funds' financial strength, either. Some of funds' enduring weakness can, of course, be attributed to lag effects: In Egypt as anywhere else, it will always take time for parametric adjustments to bear fruit. After discounting for this fact, however, it becomes clear that the pension funds' continued ill-health cannot be attributed to the delayed yields alone. Implicated as well are an accumulation of bad investments and the debt restructuring negotiated between NOSI and the Ministry of Finance (MoF) in 2019, respectively. Concerning the latter, NOSI and the MoF worked out a deal that saw EGP 340 billion worth of obligations (6% GDP) be consolidated and restructured. Under the terms of the arrangement, planned debt repayments were canceled in exchange for the MoF transferring assets with book values of EGP 160.5 billion and EGP 170 billion to NOSI during financial years 2019-2020 and 2020-2021, respectively. Roughly half the assets in question came in the form of treasury bonds issued at market rate and the other half in cash. The problem for NOSI was that the market value of the treasury bonds acquired subsequently collapsed, first in 2020 and then more sharply in 2022. Simultaneously, the value of the cash deposits transferred by the MoF were to deteriorate too by dint of hyperinflation: Measured at the black market exchange rate, the purchasing power of the pound declined by 85% year over year in October 2022.[xxv] Combined with aforementioned years of poor investments—investments impoverished by mandates forcing NOSI to allocate 70%+ reserves into the local treasuries market—the result is huge real capital losses for the pension funds and a commensurate reduction in the amount of revenue which can be generated through fund investments in the future.

Worsening the outlook on prospective revenue generation further are changes to end-of-service indemnity schemes. Furnishing new retirees with one-time lump sums upon the cessation of their working life, these schemes—which pay out an average of $825 per retiree—used to be funded through earmarked contributions equivalent to 5% a worker's salary. The 2019 law changed the contribution rate to 2%, however, reduced the benefit for those who are to join the social insurance system, and preserved benefits hitherto accrued by those already in the system. In so doing, it obliged the pension funds to find a way of paying out liabilities worth approximately EGP 100 billion (denominated in 2020 Egyptian pounds) to workers grandfathered in to the old scheme while receiving smaller contributions from current workers. With weak job growth resulting in fewer new contributors coming into the system and deeply unsettling conditions haunting the future, funding these payments will be a tricky prospect.

Bringing the wider social insurance system back into good financial health, meanwhile, looks only to be achievable through either degrading the benefits the system offers or increasing transfers from the treasury. The former is unappealing as a policy solution for obvious reasons. As for the latter, the likelihood is that prospective transfers continue to be disproportionately funded by consumption taxes levied on the lower and middle classes. As is such, this is a policy fix which implies a deepening of the regressive distributive properties already contained in the pension system.

On the healthcare front, it would undoubtedly be premature to pass judgment on the reforms of 2019, especially in light of the thirteen-year roll-out of the universal insurance mandate. Nevertheless, a preponderance of evidence gives grounds for concern. For more than a decade, the Egyptian state has been sharply cutting the portion of expenditures dedicated to social sectors: Largely as a result of the yields from many iterations of subsidy cuts either being saved or allocated for other expenditures, social sectors' share of state spending would fall from 54.6% in 2009 to 34.3% in 2020. As this has pertained specifically to the healthcare sector, the drop in question locked government spending in at amounts equivalent to 4-5% total expenditures, or 1.3-1.4% GDP per annum.[110] These meager allotments have sufficed to ensure a steady decay in quality of services at public hospitals and a rise in out-of-pocket costs, a rise made only worse, moreover, once the currency was devalued in 2016 and 2017 and the state opted to allow the prices of key medications to jump significantly.[111]

With 2019's UHIA Law having now severed public health insurance from public healthcare provision, many suspect, the Doctors Syndicate included, that continued disinvestment will be used to privatize public facilities. By virtue of private providers also sitting on the HIA's pricing committee and their existing facilities likely to be brought within the public insurance network, one of the consequences thereby engendered will be a secular increase in the costs of care. (Note that those increases will only be intensified by the collapse of the Egyptian currency in 2022-2023, which has made importing key technologies and medicines relatively more expensive). The question then becomes who will bear such costs. And insomuch as generalized poverty and the misreporting of income make it a virtual certainty that the HIA's insurance scheme will lack the resources to pool risk and protect both contributors and non-contributors against price increases, the most likely answer is the care seeker. Even if the state's claims of 85% insurance enrollment in the pilot cities of Ismailia, Port Said, Aswan, Luxor, Suez, and South Sinai can be taken at face value, then, it is unclear what social gains will have been thereby achieved.

In a context where the state cannot provide cost control through direct care provision and where public insurance—short on resources by dint of a lack of real contributors and a government unwilling or incapable of funding it—cannot insulate policy holders against price jumps, the healthcare world of tomorrow is likely to be none too different from the healthcare world of today. Out-of-pocket contribution to total healthcare expenditure in Egypt can be expected to decline marginally, and one can gracefully anticipate that fewer people will be impoverished due to a health emergency. With aggregate spending set to increase and the realization of universal health insurance unlikely to transform how the rise in costs incurred are distributed, however, it

110 See: Gad (2022); and Youssef et al (2022): 16

111 Mohamed Gad, "Universal health insurance: gateway to privatization or protector against high treatment costs?", *MadaMasr* (November 21, 2017).

is certain that Egyptian households will still need look after themselves to a considerable degree when it comes to servicing their healthcare needs.

b) Morocco

It is too soon to make a full evaluation on Morocco's post-2011 reform initiatives. Early returns, however, are comparatively encouraging. Prime Minister Aziz Akhannouch told Moroccan parliament that 3.4 million formerly informal workers were registered to the National Social Security Fund in 2022 as result of the initiatives discussed in the previous section[112], 800,000 of whom were in the agricultural sector.[113] Though the figures cannot be independently verified, if true, they would take the total number of social insurance contributors to above 7.8 million. In relative terms, such gains would imply a drop of nearly fifty percentage points when it comes to informal employment (i.e. employed persons that are outside the social insurance) system), and in just four years.[xxvi]

Such gains clearly constitute a remarkable policy achievement. That said, a few caveats need to be acknowledged. To begin, by dint of Morocco's labor force participation rate being secularly low—the rate has fluctuated between 43 and 48% the past decade and trended toward the lower bound of that range since the pandemic—the informal employment rate does not offer a measure of great insight when it comes to social conditions. Indeed, even accounting for the declines in informal employment that were witnessed in 2022, the prevalence of economic disengagement in Morocco means that seventeen million working-age persons still go without social insurance coverage. Some amongst these seventeen million, of course, may retain proxy access to social insurance via a contributing spouse, or be eligible for supports provided by social protection programs. It is nevertheless a certainty that a great many fall between the cracks of a social policy fully tied to work. This gives some grounds for tempering excitement. So too does the benefit regime put in place for new entrants to the social insurance system. Lest the Akhannouch government follows through on a pledge to lower the floor on minimum contributions from ten years to four, it is not unlikely that a large share of the workers incorporated into the CNSS via the novel Single Professional Contribution System will never become eligible for a pension in the first instance.[114] Even if they do, moreover, odds are that the retirement support they end up qualifying for will be fairly meager, a function of the irregular and relatively small contributions that can be

112 Aujourd'hui le Maroc, "Aziz Akhannouch: Les assures par la CNSS passent de 7,8 millions de personnes a plus de 23,2 millions en un an", *Aujourd'hui le Maroc* (January 10, 2023).

113 Jihane Rahhou, "800,000 Moroccan farmers benefit from social security coverage", *Morocco World News* (May 17, 2022)

114 Staff Writer, "Morocco hikes minimum wage, reduces pension contribution days', *Middle East Online* (September 9, 2022)

expected from those laboring in the agricultural sector and low-sophistication service trades.[115] Then there are enduring issues with liberal professionals to consider. According to an interlocutor close to the process, these workers continue in endeavoring to self-exclude from the public insurance. Their motivations are both ideological and material and ultimately translate into an aversion against paying into a system that provides protection to all rather than just for the contributor.[116]

Of social concern as well are the inequities which remain in the pension system due to significant intra and interfund differences in parametric criteria. The CMR, for instance, affords military personnel pension schemes considerably more generous than those it provides to civil servants. Within the wider public sector, meanwhile, the military personnel and civil servants ensured by the CMR both receive more generous benefits than the municipal workers and SOE employees represented by the RCAR. Though partially derived from higher contribution rates, it is also the case that the larger annuities used to calculate pensions for the CMR and RCAR position all public sector workers favorably vis-à-vis their private sector peers. As for the private sector side itself, note that the variable contribution rates and distinct fixed base salaries specified in the different schemes managed by the CNSS imply vastly different benefits for different classes of workers.

Grounds for concern persist when it comes to the financing of social insurance, too. El Houjjaji and Echaoui's forecasts—which have accounted for the parametric reforms introduced last decade—predict that the CMR will still exhaust its reserves within the next decade.[117] A look at the books shows that the RCAR is more or less in the same financial state that it was a decade ago as well, and that the fund is likely to need budget transfers to stay current on payments by the end of the 2020s as a result.[118] That said, it is important to recognize that the Moroccan state evinces far greater capacity than its Egyptian and Tunisian counterparts when it comes to funding these transfers. This is attributable to the country's far stronger public finances and greater access to domestic and international capital markets.

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115 For small farmers, increasingly volatile weather conditions are leading to increasingly volatile income streams. For those selling their labor to larger enterprises, meanwhile, inconsistent employer relations have long defined the trade, while greater variance in rainfall is now powering extreme seasonal shifts in work opportunities. By virtue of the precarity that is baked in to the professional lives of those in agriculture, they too will likely struggle to meet the criteria needed to secure a minimum pension.
With pension valorization having not been adjusted since 2007 and no official mechanisms are in place for indexing benefits to inflation, it is not as if the CNSS' normal contributors are to be in especially good shape going forward, either. See: Meriem Bouhlala and Moussa Yassafi, "Modelisation des scenarios de reforme du regime de retraite prive: Cas du Maroc", *International Journal of Accounting, Finance, Auditing, Management and Economics* 3:6-2 (2022).

116 Author personal correspondence with consultant on social security reform (June 2023).

117 El Houjjaji and Abdellah (2020).

118 For its part, the CNSS is moving into better shape after on-boarding new contributors post-2021. That said, it can hardly be guaranteed that the fund will manage to avoid running the kinds of deficits that were earlier predicted by the Economic, Social and Environmental Council.

Turning to healthcare, the early yields on the insurance front are mostly encouraging. According to statistics distributed by official sources, 3.5 million people were brought under AMO insurance coverage in 2021 before a robust 9.4 million were integrated in 2022. Undeniably impressive as the scale and speed of the expansion have been, the effort has been partially undermined by demographic biases: As of 2022, 32% of elderly women and 23% of elderly men still lacked health insurance, per a study from the High Commission on Planning.[119] Furthermore, though the extension of insurance coverage is likely to have brought out-of-pocket expenditures down—data is not yet available—there is reason for thinking the gains will not be enormous.[120] On care provision, little progress can be observed as of yet. Public moneys allocated for the training of new personnel will not bear fruit for some time. If these lags are understandable, they are nevertheless problematic due to the steady hemorrhaging of highly competent medical personnel to Europe set in motion through earlier periods of state divestment[121]: At the time of writing, the Ministry of Health posits the health system suffers from a deficit of more than 30,000 medical staff and nearly 100,000 paramedical staff.[122] With a quarter of the existing paramedical staff scheduled to retire this decade, this deficit will only get worse before it gets better. Partially as a result of these personnel shortages and partially as a result of how available personnel and facilities are distributed, geography and class also continue to mediate healthcare outcomes in Morocco. Starkly affirming this fact, maternal mortality rates in rural areas are still nearly three times higher than they are in urban areas.[123]

c) Tunisia

The contemporary performance of the Tunisian social insurance system can only be assessed as disappointing, a result determined, in the most immediate sense, by the lack of energy mobilized for a reform push during the post-2011 period.

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119 Haut-Commissariat au Plan, "Note d'information a l'occasion de la journee internationale des personne agees, 2022" (2022).

120 Firstly, the reference rate for reimbursement on medicines and medical procedures has not been adjusted since 2006, leading to growing gaps between insurance coverage and the fees charged at medical facilities. Secondly, mandatory co-payments are adding further to the cost burden of families. And thirdly and most importantly, AMO insurance only covers 70% the cost of most medicines and procedures and 80-85% in the case of long-term illness. Note: Insurance plans for public sector workers, administered by the CNOPS, cover 80% for short-term procedures and 100% the cost of care for long-term illnesses.
See: Chabib Boukhalfa, "The road to universal coverage by the end of 2022, the Moroccan challenge" in Ayse Emel Onal (ed.) *Health Care Access: New Threats, New Approaches* (Intech Open: 2022).

121 Abdellaoui et al estimate the emigration rate of Moroccan trained doctors to France alone is 24%.
Hocine Abdellaoui et. al. "Medical Brain Drain from Maghreb to Northern Countries: for a new social dialogue?", *The e-Journal of Economics and Complexity* 2:1 (2017).

122 Belabbes (2020)

123 For a review, see: Abdesslam Boutayeb, "Territorial Disparities and Health Inequities in Morocco" in *Territorial Disparities and Health Inequities in Morocco* (Book Publisher International: 2022).

At the time of writing, more than a quarter of Tunisia's employed remain outside the social insurance system altogether. Men and women under the age of forty continue to disproportionately fill the ranks of this category, a demographic bias posing long-term financial risks for the country's pension funds. Also biased against are Tunisia's self-employed, 58.5% of whom still loiter within the informal economy.[124] Poorly measured to the precarious realities of the informal sector, Loi 33 of 2020—meant to bring these auto-entrepreneurs into insurance system—has facilitated the integration of exceedingly few.[125] More than half the working age population, meanwhile, is either unemployed or disengaged from the labor market.[126] As is such, leaving the discriminatory tendencies of informality aside, it is also the case that a sizable majority of the potential labor force possess no pathway to acquiring social insurance.[xxvii]

For those that the Tunisian system does insure, there are also the patterned inequities created by the pension fund's disparate schemes to consider. For private sector workers, discrepancies in contribution rates and in the earnings measure used for pension calculations create uneven burdens and pay-outs. Intrafund discrepancies in employer and employee contribution rates within schemes managed by the CNRPS, meanwhile, bias public sector benefits toward elected officials.[127] Due to interfund discrepancies in accrual rates, reference salaries, the ceiling on the maximum pension, and in the kinds of supports furnished through insurance, moreover, it is also the case that public sector employees enjoy superior benefits to those provided to their peers in the private sector. Finally and most importantly, perhaps, the entire system leaves more precarious workers—the self-employed in particular—worst off of all: Amongst the minority of these persons that have managed to enroll in social insurance, only 27% make quarterly contributions to the CNSS. As is such, only a small share is likely to be eligible to claim retirement benefits of any note.[128] Insomuch as 76.6% of retired Tunisians in 2017 were already collecting a pension worth less than the minimum wage, these low contribution rates suggest the social insurance systems' glaring inequities will only grow worse in the years ahead.[129]

Financially, the social insurance system hovers in and around crisis. This is due to reasons already discussed and the enduring prevalence of fraud. Concerning the latter, while even UGTT officials acknowledge that collaborate practices of defrauding the social insurance system are fairly com-

124 Nidal Ben Cheikh and Moisseron, "The effects of social protection on informal employment: evidence from Tunisia" in Ali Akbar Tajmazinani (ed.) *Social Policy in the Islamic World* (Palgrave Macmillan: 2021)

125 Author personal correspondence: Labor market analysts: (Tunis and Paris: 6/4/2023-6/9/2023).

126 International Labour Organization and Economic Research Forum, "Rapid labour force survey on the impact of Covid-19 in Tunisia", Report: February 2021.

127 Nasri et al (2022): 17

128 Ibid: 49

129 Mohamed Mestiri, "Systeme du protection sociale: la fabrique des inegalities", Nawaat (April 14, 2017).

monplace[130]—in these schemes, employee and employer agree to underreport the employee's earnings until they reach the final ten years of their work life, the time during which the pension calculation is made[xxviii]), the data suggests that the consequence of corporate fraud is most significant. Giving some testament of this, Secretary General of the Federation of Social Insurance Funds Belgacem Jomni said that as of March 2019, private enterprises had debts to the CNSS in excess of TD 4 billion.[131] In terms of the worst violators, officials from the UGTT indicated that small enterprises "have a tendency to not declare (*their employees to the social insurance system)* or to declare only partially or inconsistently." The trade union federation noted that large enterprises also fail to make reliable contributions, and outcome that partially derives from the flexibilization of their workforces.[132]

However one attributes the relative effects of corporate malfeasance and weak formal sector job creation, the consequence is the same for Tunisia's pension funds: all look to be headed for worsening deficits in the years ahead. The RSNA scheme, the largest administered by the CNSS, projects to open a financial gap of TD 5.65 billion by the end of the decade. The trajectory of the CNRPS scheme, meanwhile, points toward a gap of nearly TD 7 billion by the same date.[133]

These financial failings augur social and developmental consequences of the most corrosive kind. That is because in the eventuality where deficits of the magnitudes just referenced indeed emerge, policymakers will be forced to either cut payments to retirees or fund those payments through transfers from the state treasury. Though the latter is preferable, it will, in the first instance, require cuts to other expenditures. Insofar as the public revenues used to pay these transfers are also disproportionately raised via consumption taxes levied on the lower and middle classes, it will also imply a regressive redistribution of income. Such second-order effects are both socially punitive and destructive to Tunisia's future.

Having amassed enormous arrears to Tunisia's public health insurance fund (CNAM), it is also worth flagging that Tunisia's pension funds have injected dangerous liquidity issues into the country's healthcare system. Leaving CNAM short to the tune of more than TD 5 billion as of October 2020, the public health insurer has needed to regularly delay payments to hospitals and pharmacies ever since. Though not the only variable involved, this has contributed to shortages of key medicines in recent times. As for healthcare's wider performance, the number of workers contributing to the public insurance system has increased in recent times. According to official figures, CNAM coverage extends to more than eight million persons inclusive of workers and their dependents, or

130 Author's personal correspondence with senior UGTT official (June 2023).

131 See: Hakim Fekih, "Capitalisme Tunisien a l'epreuve du coronavirus", *Nawaat* (April 4, 20200.

132 Author personal correspondence with senior UGTT official (June 2023).

133 Ibid: 43

roughly 70% of the population. Without discounting these gains, the non-negligible co-payments still required of the insured—charges that are capped at half a month's salary per annum—do mitigate their meaningfulness. So too does the fact that 21.4% of those covered by CNAM are only supported by the fund's reimbursement stream program, which demands that the care-seeker pays all expenses upfront and only reimburses such persons post-facto up to TD 200 per insured person and TD 50 per dependent.[134] At a macro-level, the result of these mitigating variables is a relatively high out-of-pocket health percentage (39% total health expenditure).[135] Pertaining to health outcomes and care delivery, the Tunisian system is yet to substantively address income and geographic-based biases. Regional discrepancies in healthcare facilities and medical professionals have actually worsened since 2011, and a non-marginal portion of the poor—those in southern regions most especially—continue to forego care due to their inability to pay for it.

Social insurance and healthcare policy reform in Egypt, Morocco, and Tunisia during the post-2011 period advanced along very different tracks. The performance of social insurance and health systems has diverged as a result, while also being impacted by the variant nature and scale of the issues which reforms were summoned to address in each country. By dint of the ambition evinced and the strength of the country's public finances, Morocco looks to be best positioned to deliver meaningful change for its citizenry in the years ahead. Contrarily, Egypt and Tunisia both appear set for decline.

Notwithstanding discrepancies in performance, this chapter has shown that all three case-study countries' healthcare systems remain undermined by a lack of capacity and high end-user expenses, and that social insurance systems, even after recent reforms, struggle to both provide equitable, adequate, and inclusive coverage and to ensure their long-term financial viability. These struggles, in our estimations, testify to the unsuitability of policy fixes based on instituting relatively minor adjustments, parametric or otherwise, to existing, formal employment-tied modalities of social insurance.

Though these fixes are endorsed by case study countries' official creditors and backed by local policymakers, they are compromised by the discordance between medicine and ailment: The reproduction of surplus labor is a structural property of each case study country's economy. This renders high rates of unemployment, irregular and informal employment, and labor market withdrawal endemic. In these conditions, formal employment-tied social insurance will only ever support but a fraction of the population, and attempts at universalizing coverage through relatively small policy interventions will not deliver meaningful social security.

134 Ibid: 27

135 Sy et al (2020): 36

What stops our case study countries from developing alternatives more suitable to their contexts and more capable of delivering social security for all? The next two chapters, focused on the popular foundations of power and national growth models, will strive to furnish answers.

Chapter IV
Policy and the Popular Foundations of Power

The performance of social insurance and health systems in Egypt, Morocco and Tunisia leave a great deal to be desired. The causes of underperformance are multiple, intersecting and compounding in nature. They include conditions endowed by history that contemporary domestic actors have little to no control over. By virtue of Morocco's positioning within the global economy and the effects this has implied for processes of industrialization, for instance, a large share of the labor force still works in agriculture, where employment, regardless of country, tends toward informality.[136] By virtue of the global slowdown in manufacturing growth that commenced in the 1970s and China's subsequent rise as the world's factory, meanwhile, all our case study countries face structural limits on the labor demand side of things: Though hardly the only variable in play, these limits do go a long way in explaining their low labor force participation rates, high unemployment, and, by extension, struggles to expand employment-tied social insurance coverage.

There is also case study countries' developmental station to account for: As a result of matters we will discuss in Chapter V, gross national income per capita has loitered between the upper bounds of the lower middle-income level and the lower bounds of the middle-income level for a number of decades in Egypt, Morocco, and Tunisia. This is relevant insomuch as informality—both in employment and in economic activity—is a naturally occurring property of economic life at these income ranges.[137] Inter alia, so too are relatively low degrees of social and health insurance inclusion, relatively lesser tax revenues, and lesser prospects for financial universal health and old-age policies.

And yet, the shortcomings of social insurance and health systems in the countries of our concern do not derive from *structural* conditions alone. Analyses conducted by Cardanelli et al at the IMF posit that 30-75% of the Egypt, Morocco and Tunisia's informality surplus vis-à-vis advanced economies is actually attributable to policy variables.[138] If informality may be endogenous to

136 Roberto Cardarelli et al, "Informality, development, and the business cycle in North Africa", Departmental Paper 11: International Monetary Fund (2022).

137 Norman Loayza, "Infomality in the Process of development and growth." Special Issue: Global Trade Policy 2016. *World Economy* 39:12 (2016).

138 Pertaining to employment informality, their study estimates that decisions and competencies in the areas of the rule of law, administration, tax policy design, financial access, and business and labor market regulation explain the majority of Egypt and Tunisia's struggles, though a lesser share of agricultural Morocco's. When it comes to output informality, the authors suggest policy bears responsibility for 60% of the performance discrepancy evinced when compared to the wealthier nations.
See: Cardarelli et al (2022): 18-24

North Africa due to the region's relative wealth, then, there is nevertheless evidence to suggest that its magnitude has less to do with demographics and/or relative poverty than governance.

While one need take the claims of the IMF with a few handfuls of salt—the faith their analysts display in the loosening of labor laws strikes as undeserved, to say the very least—they do beg the question of what lies beneath Egypt, Morocco, and Tunisia's policy and governance-related deficiencies. If these deficiencies are, minimally speaking, implicated in social insurance and health system failings, what is it that causes them in the first instance?

To answer this query, the focus must be trained onto the domain of politics. And herein, it is appropriate to begin by identifying those groups that are excluded from the popular foundations of power in our case study countries.

a) The Political Marginalization of the Poor

Dominating this category are two entwined populations: the poor and the informally employed. The drivers of these social groups' political exclusion are not particular to the Middle East. Facing day-to-day pressures of an unrelenting and existential variety, the precarity experienced in their ranks dictates that energies and attentions be devoted to surviving quotidian challenges. Holding slim savings, these groups also lack the resources for funding institutional vehicles which might advocate on their behalf. As they labor in settings of a highly disjointed and atomized nature—be it as own-account workers or as the employees of small, competing firms in informal merchant and construction trades—opportunities for collective organizing and political education are exceedingly limited, too.

Certainly, regional history shows *lumpen proletarians,* as this social segment is sometimes called, able and willing to mobilize in times of crisis, particularly when prompted into action by state or police abuse.[139] During the revolutionary crucible of 2010-2011, their interventions were as essential as any other groups' to the toppling of the extant regimes.[140] Nevertheless, in times of normal politics, disengagement is the general rule when it comes to their political conduct. Compared to other social categories, participation in partisan organizations and engagement in political activities more generally (protests included) is low. Rates of abstention during elections

139 Killian Clarke and Manfred Elfstrom, "Power on the margins: lumpenproletarian resistance in China and Egypt", *Comparative Politics* 55:1 (2022).

140 For more on this, see: Jamie Allinson, *The Age of Counter-Revolution: States and Revolutions in the Middle East* (Cambridge University Press: 2022).

are also elevated.[141] Beyond well-meaning civil society organizations, these social groups rarely retain associations which might aggregate and advance their needs across the long duree.[142] In addition, there is a growing body of evidence showing that the groups in question have distanced themselves from representative institutions and programmatic forms of social and political contention at increasing rates in recent times: Across our case study countries, there is evidence to suggest that *politics* are being eschewed in favor of more localized, parochial appeals for jobs and benefits.[143]

By dint of the tendencies described, when it has come time for policy deliberations, the poor and informally employed in Egypt, Morocco, and Tunisia have been easily ignored—and their interests relegated. That the original design of social insurance and health systems in our case study countries did not pay much heed to the needs of the poor, informally employed, or economically inactive suggests as much, as does the fact that post-2011 reforms failed to deliver the transformative change needed to meaningfully alter the lives of people in these communities.

b) What about the unions?

It is not merely the absence of marginal groups from the political sphere which explain the contours of social insurance and health systems, however. As Chapter II documents, official creditors have clearly had an effect on policy design. And though typically garnering less attention, so too have a host of actors on the domestic scene: These parties—original *signatories* to post-independence social contracts, for lack of a better term— are implicated, to one degree or another, in the worrying outcomes we have hitherto shone a light on.

Traditionally centered in in discussions of this type are the most obvious incumbents and beneficiaries of the status quo: public sector employees and trade union members.

Considering the fights that went into consolidating the work-tied social and health insurance models sketched in previous sections and the relative security that the existing model affords to regular contributors, the desire to preserve things as they are amongst these categories of workers is understandable, all the more so when one factors in the macroeconomic volatility presently being witnessed in each case study country. Understandable or not, however, the conservatism

141 Walid Merouani and Rana Jawad, "Political attitudes and participation among young Arab workers: a comparison of formal and informal workers in five Arab countries", *Social Sciences* 11 (2022).
Colin Powers, *Chronicles of a Death Foretold: Democracy and Dedevelopment in Tunisia.* Report: Noria Research (2022): 40

142 In Tunisia, see: Ben Hassen et al (2022).

143 See: Irene Weipert-Fenner, "Unemployed mobilization in times of democratization: the Union of Unemployed Graduates in post-Ben Ali Tunisia", *The Journal of North Africa Studies* 25:1 (2020).

of these actors does imply a cost to others less fortunate. Indeed, one should not diminish the extent to which the standard of living for formal workers is today subsidized by fractions of the domestic labor force historically bereft of insurance coverage: Without the exploitation of the vulnerable workers of the tourism and export-oriented industries, case study countries would lack the foreign currency needed to sustain imports and with them, an elevated lifestyle for the middle and upper earners disproportionately represented by the trade union federations.

That said, it would be empirically invalid to suggest that organized labor has played an obstructive role when it comes to the extension of social insurance. It would be analytically misguided, moreover, to overstate organized labor's responsibility for the insurance system's present-day impasses. On the first point, where trade unions have retained independence from the state—in Tunisia most especially—they have used the tools at their disposal in order to expand union membership, bring more precarious workers under the umbrella of collective bargaining, and contest cost of living increases through pushing for minimum wage hikes and subsidies' protections:[144] These incumbents of the status quo, in other words, have engineered the expansion, not restriction, of the insurance system. Where trade unions have been disciplined and/or controlled by the state—in Egypt most especially[145]—meanwhile, they have, by definition, had precious little effect over policy outcomes. To ascribe the agency for the outcomes in question therefore makes little sense.

As for the second point, while organized labor certainly had a hand in insurance system design, the issue today is less about apportioning historical blame than determining what prevents a better alternative from being built. In view of prevailing levels of labor force participation, informal employment, and household earnings, it ought to be clear that it is not existing parametric configurations—hitherto arranged to provide older generations of union workers with relatively generous retirements—which stands in the way of positive change. Rather, it is funding. In view of those same labor market conditions, moreover, it ought also be clear that the funding required to finance more inclusive, socially equitable social insurance systems will never be raised from employer and employee contributions alone. Instead, it is public revenues which will need to do the heavy lifting, whether for subsidizing the contributions of precarious workers and non-workers in an employment tied modality of social insurance, or for financing a non-employment tied alternative.

144 Ian Hartshorn, *Labor Politics in North Africa: After the Uprisings in Egypt and Tunisia,* (Cambridge University Press: 2019): 120, 169, 187

145 See: Mehmet Erman Erol and Cagatay Edgucan Sahin, "Labor unions under neoliberal authoritarianism in the global south: the cases of Turkey and Egypt", *Canadian Journal of Development Studies* (2022).

c) Taxes, taxes, taxes

From the above, it follows that national tax systems must be put front and center within any analysis interrogating the social insurance systems of North Africa. Indeed, it is in fiscal sociology that we can glean the most about the contemporary popular foundations of power in our case study countries, and in fiscal sociology that we can best appreciate one of the variables heavily responsible for the underperformance of social insurance and healthcare systems.

In probing the annual budgets and tax records of the states of Egypt, Morocco, and Tunisia, a number of commonalities emerge. Most pertinent to our concerns are the revenues regularly foregone due to weak tax administrations, on the one hand, and tax code welfarism, on the other. The losses being incurred through these two mechanisms are staggering in magnitude and most comprehensively measured by a metric known as a tax gap. A tax gap compares a country's potential tax revenues against its actual tax collection, with the former determined on the basis of an economy's structural characteristics, level of development, and policies. In Egypt, the tax gap is currently equivalent to 16.4% GDP. In Tunisia, it is equal to 17.7% GDP. And in Morocco, it comes in at 12.1% GDP.[146]

The contributions that administrative (in)capacity make to each country's tax gap are undoubtedly significant. Nevertheless, after discounting for these contributions, a large share of the gaps in question remain unexplained. As intimated, the variable responsible for this missing share is tax code welfarism. A product of willful policy choices, tax code welfarism in our case study countries confers significant benefits onto a relatively wide range of domestic constituents, and a handful of foreign ones as well.

(i) Catering to the rich, appeasing the upper middle class through licit and illicit means

On the domestic front, the beneficiaries of tax code welfarism count actual and corporate persons amongst their number. Pertaining to actual persons, the uber-wealthy of Egypt, Morocco and Tunisia accrue the largest gains in both nominal and relative terms. That said, members of the upper-middle class—a shorthand we use to refer to the top 10% of earners—make out well, too, especially those employed in the liberal professions. At the corporate level, state-owned enterprises rank highly amongst beneficiaries as do major private conglomerates. In addition, many smaller firms, informally operating ones included, obtain what amount to subsidies (and by way of them, competitive advantage) through tax dodging.

146 Genevieve Verdier, Brett Rayner et al, "Revenue mobilization for a resilient and inclusive recovery in the Middle East and Central Asia", Departmental Paper 13: Middle East and Central Asia and Fiscal Affairs Department, International Monetary Fund (2022).

For individuals, tax code welfarism is extended through two mechanisms: (i) exemptions and/or reduced tax rates on income earned through asset holdings and (ii) the state's co-signing of tax evasion practices. The first mechanism is most generous when it comes to financial income and income derived from capital gains and real estate transactions. While not wholly devoid of developmental utility—there is some logic in attempting to incentivize savings and investments—the tax treatment of these activities comes at a steep cost in terms of revenue generation and inequality. The effect is compounded, moreover, by separate tax provisions in the domains of inheritance and land and property ownership which serve to facilitate elite wealth preservation.

In Egypt, income earned from dividends and capital gains were wholly tax free until 2020: It was only at the beginning of that year, upon Laws no.44 and 53 of 2014 going into effect, that a 10% tax on capital gains realized from the sale of listed shares and securities was introduced, as well as a variable tax on dividend-derived earnings.[xxix] Concerning the latter, a 5% is now applied to dividends paid out by listed companies and a 10% tax to dividends paid by unlisted ones. Revelatory of the elite-oriented biases that exist even within already elite-oriented policies, note that taxes on dividend payments made by unlisted companies are reduced to 5% for those owning at least 25% equity in the company in question.[147]

Through the present day, meanwhile, interest income continues to be fully exempt from personal income taxes in Egypt. In view of the enormous interest being paid by banks in 2022 as they have strived to retain local currency depositors in the face of hyperinflation, the meaningfulness of this exemption should not be understated: State-owned banks issued 1-year Certificates of Deposit with interest rates nearly 5% higher than those on treasury bills in 2022, and at amounts equivalent to 10% GDP.[148] In January 2023, those same banks issued CDs with interest rates of 25%. For those collecting these massive tax-free yields on their savings, the returns on this element of tax code welfarism is hardly marginal.

Evaluated in comparative context, the rates of taxation on capital gains, dividends, or interest income can be seen to be significantly below those levied on wage earnings. Such discrepancies necessarily engender dual effects: firstly, they deprive the treasury of income, and secondly, they

147 Mohamed Sultan, "Egyptian exchange taxes: efficiency and equitability", Policy Paper: Alternative Policy Solutions (2018).

148 International Monetary Fund, "Country Report no.23/2: Arab Republic of Egypt Request for Extended Arrangement under the Extended Fund Facility", (December 2022).

facilitate upward transfers of income and wealth to the country's asset holders.[149] The tax code is also conducive to elite and upper-middle class wealth preservation. The Mubarak regime abolished the tax on inheritance in 1996 before the Supreme Constitutional Court prevented it ever being reinstated through a 1998 ruling.[150] To the enormous satisfaction of speculators in the built environment, the same court also exempted unused land not currently generating income from taxes via a 1993 ruling. Generous terms have been encoded in the law when it comes to landed property as well.[151] These terms, combined with the disinterest of property assessors, lead to the yield from property taxes contributing just a 1% share to the state's total tax revenues each year. Considering that 68% of Egyptians' wealth is estimated to be stored in the form of land and real estate[152] and that property taxes, of all taxes, have the least negative effect on an economy's growth potential[153], the effect of these meager sums on the state's fiscal health (and on development and inequality) can be difficult to overstate. [154]

The tax code in Morocco is similarly generous to middle- and upper-class households. It also has a similar effect when it comes to public revenue generation. Though nominally progressive, the personal income tax system is not especially punitive for top earners—those with incomes in excess of 80,000 MAD. And while certainly less excessive in its generosity for the wealthy as compare to Egypt, the tax system also contains provisions that disproportionately favor asset holders.[155] Capital gains derived from the sale of listed shares are taxed at only 15% and those from the sale of bonds and real estate at 20%. Dividends paid out by domestic firms, meanwhile, are taxed at 10% and those paid out by foreign firms at 15%.[156] All these rates are set at levels below the tax

149 The law's rendering of expenditures on private insurance plans partially tax deductible—plans that only persons with excessive savings have the resources to purchase—only further intensify the tax code's regressive distributive character. The same can be said of the tax code's treatment of speculative activities. Stamp duties on the trading of shares and securities are fairly marginal (equivalent to .05% the proceeds realised) to begin with and were reduced further through special coronavirus-era emergency measures.
See: Ahmed Moummi et al, *"Realities and Prospects: Survey of Economic and Social Developments in the Arab Region 2020-2021,* Report: United Nations Economic and Social Commission for Western Asia (2021): 57

150 Nader Osama, "Toward a wealth tax", Policy Paper: Alternative Policy Solutions (2018): p.17

151 A law promulgated in 2008 did nominally create a real estate tax of 10% a property's annual rental value. In largely exempting primary residences from the tax and making little effort to update valuations, however, the law is of negligible real-world consequence. PricewaterhouseCoopers, "Individual Tax Summary: Egypt" (2022)

152 Osama (2018): 4

153 Era Dabla-Norris, Kalpana Kochhar et al., "Causes and Consequences of Inequality: A Global Perspective", Report: International Monetary Fund (2015).

154 If one further takes into account the extent to which the state has inflated property values through controlling land access, directing capital inflows into the luxury end of the market, financing and constructing a large share of new units, and subsidizing mortgages through central bank facilities, the benefits the policy approach has afforded the middle and upper classes can be appreciated, too.
On the Central Bank's mortgage subsidies, see: Youssef et al (2022): 57-70.
On housing more generally, see: Sofian Philip Naceur, "Al-Sisi's "New Republic": How the Real Estate Frenzy in Egypt Sustains the Regime's Grip on Power", North Africa Research Paper Series no.4: Rosa Luxemburg Foundation (2022).

155 Marking a more prudent course, Morocco does at least tax earnings from interest at 30%.

156 PricewaterhouseCoopers (2022)

levied on wages. In conjunction with making interest payments on mortgages tax deductible, the effects of this are lost revenues and heightened inequality. As in Egypt, moreover, such effects are heightened further by the tax codes' servicing of wealth preservation. The most prominent tool in this regard are terms establishing that inheritances can generally be transferred sans taxation with the exception of immovable properties which are subject to withholding taxes of 20%.

Tunisia carves a legal path not unlike Morocco's. With an eye on disincentivizing speculation in the built environment, capital gains realized from the sale of land and buildings are taxed at a rate of 10% for properties held for longer than five years and at a rate of 15% for those held for a lesser period. Contrarily, capital gains realized from securities—whether the sale be of shares held in listed or unlisted companies—are taxed at 10% regardless of the duration of previous ownership. Dividends, meanwhile, are subjected to a withholding tax of just 5%.[157] For the nominal purpose of juicing liquidity and preserving the foreign currency stock, interest income from bank deposits and certificates in foreign currency are also currently tax exempt, a policy which further favors asset holders and wealthier persons.[158]

The diminutive tax rate on dividends is especially consequential inasmuch as these yields on equity often contribute the lion's share of annual earnings for Tunisia's richest persons. Financial statements released by the Banque Internationale Arabe de Tunisie (BIAT), for instance, show that the holding companies of the Mabrouk, Milad, Tamarziste, and Horchani families, which collectively control nearly 70% of BIAT's equity, collected sizable dividends in 2020 and 2021, respectively. Nor are they an exception in benefiting from tax-free sources of income. The likes of Poulina Group Holding (largely owned by the Ben Ayed family), Ennakl Automobiles (largely owned by the Ben Yedder, Loukil, and Ben Ayed families), and Amen Bank (largely owned by the same cast of characters) all paid out dividends worth millions of TD in recent years, too.

Appreciated in full, the fiscal and distributive effects of the assortment of tax exemptions just detailed can be seen to be quite significant. They are matched, moreover, by those engendered by the second mechanism of individual-oriented tax code welfarism: the state's co-signing of tax evasion practices. This mechanism expressly benefits two specific categories of actors across Egypt, Morocco and Tunisia—the uber wealthy and liberal professionals.

As pertains to the former, revelations from *Swissleaks* and the *Panama, Paradise,* and *Mauritius Papers* document the extent to which high profile Egyptians, Moroccans, and Tunisians advan-

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157 Oxford Business Group, "Review of Tunisia's tax system", Report (2016)

158 On wealth preservation, note that the Tunisian tax code is comparatively less generous, at least if evaluated at the letter of the law. Inheritance of movable and immovable gifts from parents and children are subjected to registration fees equivalent to 2.5% the value of the gifts in question while those from siblings are taxed at 5%, those from more cousins and aunts and uncles at 25%, and those from more distant relatives at 35%.

tage themselves of the tax avoidance opportunities furnished in the global network of offshore financial centers. The Tax Justice Network (conservatively) estimates that their doing so annually costs the state coffers $170 million in the case of Egypt, $70 million in the case of Morocco, and $39 million in the case of Tunisia. In Morocco, these practices have brought scrutiny onto the royal family, Princess Lalla Hasnaa and the King himself.[159] In Egypt, a majority of the country's most prominent businessmen turn up in the databases of the International Consortium of Investigative Journalists, including the Sawiris brothers, Ahmed Ezz, Salah Diab, Alaa Mubarak, Ahmed Osman, Rachid Mohamed Rachid, and Gamal Anwar Sadat.[160] The reporters at *Inkyfada,* meanwhile, implicate many Tunisian heavy hitters present and past in legally ambiguous schemes of the same type, including scions of the Trabelsi-Ben Ali family, Mohsen Marzouk, Ahmed and Tarek Bouchamaoui, Moncef el Materi and Mzoughi Mzabi.[161]

More fiscally costly if attracting less attention are the revenue losses incurred by dint of the tax evasion of everyday liberal professionals. Facilitating these practices are laws pertaining to the "professional secrecy" of this class of workers. These laws were established early on in the post-independence period and, amongst other things, entitle those laboring in liberal professions to file their taxes independently rather than be subject to withholding taxes on payroll salaries as most employees in the formal sector are.[162] Functionally, they invite tax evasion, an outcome that the political classes of our case study countries show themselves indifferent to for a number of reasons, the most significant of which is the social standing of these persons and their capacity to the balance against a regime during moments of crisis.[xxx]

The magnitudes of the losses incurred through tax evasion of this quotidian variety are difficult to estimate though most certainly significant. In Egypt, a sense of size can be gleaned from budget data showing only 2% of personal income tax revenue to come from the contributions made by liberal professionals. In Tunisia, the fact that half of all lawyers and 45% of all tax consultants do not even file taxes most years grants a degree of purchase on the phenomenon, as does the fact that amongst those liberal professionals who do file, one third report no income, and 14% report a loss.[163] Whether the increased VAT rates assigned to the business transactions of liberal professions under the 2023 Loi de Finance represents a first step toward correcting the state's acceptance of this social group's tax evasion practices remains to be seen.[164] In Morocco, the scale

159 North Africa Post, "Panama Papers-Morocco: two listed companies legally flawless" (April 7, 2016).

160 Drew Holland Kinney, "Sharing saddles: oligarchs and officers on horseback in Egypt and Tunisia", *International Studies Quarterly* (2021).

161 Sana Sbouai and Malek Khadhraoui, "Swissleaks: Que revelent les listings tunisiens?", *Inkyfada* (February 8, 2015) Mona ben Hamadi, Malek Khadhraoui, and Sana Sbouai, "Panama Papers: Mzabi et Bouchamaoui dans les rouages du systeme offshore", *Inkyfada* (May 9, 2016).

162 Moummi et al (2021): 61

163 Amine Bouazaiene, "Tax justice in Tunisia: an ideal crushed by debt policies", Study: Al Bawsala and PSI (2021).

164 See: Proservy, "Tunisie, Loi de Finances 2023, ce qui change pour les enterprise", Blog (1/23/2023).

of the giveaway is hinted at by the figure of 65%, which represents the percentage of those in the top three deciles of the country's income distribution—an area of the curve disproportionately filled by lawyers, accountants and the like—who pay no taxes.[165] Annual budget reporting documenting that the tax contribution of "professional revenues" accounts for 11-14% the total take from personal income taxes most years reveals what this translates to in relative terms.[166]

To put a bow on it all, though the modalities of tax code welfarism that are observed in Egypt, Morocco and Tunisia are often discussed in view of the elite interests which they do indeed service, this subsection ought to clarify how they also furnish benefits to wider constituencies within the upper middle classes. Within this second category of clientele, liberal professionals stand out as the primary beneficiaries, while small property and asset holders also extract significant gains for themselves. These gains, like those that are directed to the very wealthiest in our three case study countries, constitute implicit losses for the state. By extension, they also necessarily constitute an obstruction to the building of more inclusive and capable social insurance and health systems.

(ii) Tax code welfarism and the firm: Domestic companies and foreign multinationals

Gains steered to corporate entities by way of tax code welfarism also represent a significant obstruction to improved social and health policy in Egypt, Morocco, and Tunisia. These entities are domestic and international in residence. Major constituencies of the political regimes in question, their favor is sought because of what they can provide in terms of jobs, investment, hard currency, technology, and access to global value chains; because of the lobbying strength they can bring to bear; and, in some instances, because of their social and personal proximity to high level decision-makers. And as obtains amongst individuals, the benefits extended to these corporate actors come in both licit and illicit forms—by way of a constellation of official tax holidays and exemptions on the one hand, and the state's blessing of tax evasion on the other.

On the domestic front, state-owned enterprises (SoEs) are typically flagged as the largest beneficiaries of tax code welfarism. This is slightly harsh when one considers that SoEs often possess social mandates and/or administer public utilities, where profitability and tax payments ought be of secondary concern. Harsh or not, however, it is indisputable that these firms—which also operate in a great many commercial sectors in each of our case study countries—derive substantial assistance and advantage from the state (if not always via the tax code), even if determining precisely how much is made difficult by their notoriously opaque financial accounting and fiscal reporting. Due to the size of the losses regularly being run, governments must frequently direct significant fiscal transfers to SoEs—equivalent to 7-8% GDP and 1.5% GDP in the case of Tunisia and

165 World Bank and the Policy Center for the New South, "Informality in Morocco", Policy Note (2020): 4

166 Ibid: 25

Morocco, respectively—in addition to guaranteeing those firms' domestic and foreign currency debt.[167] Governments also allow these firms to run up arrears on their tax or social security contributions, all of which further complicates the appraising of their true fiscal footprint.[168] In Egypt, it is a virtual certainty—no matter how the Sisi regime doth protest[169]—that military-owned companies have been granted what amounts to permanent tax holidays.[170]

If SoEs as a subclass of firm make out well through tax code welfarism, that should not be read to imply that they are the only corporate beneficiaries of this policy regime. To the contrary, governments use both official tax breaks and the overlooking of tax evasion to politically manage a much wider constituency of business interests. This is revealed in the composition of value-added and corporate tax receipts. Concerning the former, corporate compliance is exceedingly poor, leading to low efficiency in VAT collection[171]: Losses incurred due to firms' skirting of the VAT run upwards of 2.5% GDP per annum in Morocco, numbers broadly in line with what is observed in Tunisia and Egypt.[172] As for the latter, the data establishes that only a tiny minority of registered firms make annual tax contributions in all our case study countries. Giving some sense for this, if one excludes tax contributions made by three public entities—the Central Bank of Egypt, the Suez Canal Authority and the Egypt Petroleum Company—corporate contributions in Egypt would make up just 10.5% the country's annual yield from taxes.[173] In Morocco, meanwhile, information released by the Ministry of Finance shows that 95% of corporate tax contributions come from just 6.1% of the firms registered with tax authorities.[174]

In line with Egypt, receipts from corporate income taxes also represent just a 10% share of total tax revenues in Tunisia. Statistics from the tax administration, moreover, show that half of all Tunisian firms do not file taxes, 19% declare they are running losses, and 11% submit what amounts to empty forms. That means just 24% of registered firms, a portion of whom are likely to underreport income, pay anything in taxes.[175] Certainly, all these numbers are undoubtedly

167 International Monetary Fund, "2021 Article IV Consultation Staff Report", Country Report 21:44 (2021): 9-10
For Morocco, see: International Monetary Fund, "2021 Article IV Consultation Staff Report", Country Report 22:36 (2021).

168 *Ernesto Ramirez Rigo et al, "State-owned enterprises in Middle East, North Africa, and Central Asia: Size, costs, and challenges", Departmental Paper: International Monetary Fund (2021).*

169 Heba Saleh, "Egypt's economic woe spreads across all classes", *Financial Times* (February 2023)

170 Timothy Kaldas, "The IMF has too any economists for its own good", *Foreign Policy* (February 2023).
Stephan Roll, "Loans for the President: external debt and power consolidation in Egypt", *SWP Research Paper* (December 2022).

171 Verdier et al (2022): 19

172 Aya Achour et al, "The Morocco Policy Analysis Model: theoretical framework and policy scenarios", Working Paper: IMF Institute for Capacity Development (2021): 10-11

173 Mohamed Sultan, "Egyptian exchange taxes: efficiency and equitability", Report: Alternative Policy Solutions (2018)

174 World Bank and the Policy Center for the New South (2020): 28

175 Tunisian Ministry of Finance, "Ancrage de la justice fiscale et mobilisation des ressources" (2021).

affected by a general lack of corporate profitability. Nevertheless, they are predominantly powered by political choice. Policymakers during the post-2011 transition twice reduced the general corporate tax rate, setting them at the very threshold (15%) below which the country would be classified as a tax haven by the Financial Action Task Force in 2021. In addition, they continued to furnish businesses with hundreds of special fiscal incentive measures.[176] Notably, though many of the incentive measures in question are targeted at export-oriented firms, a wide breadth of firms take advantage of them by licit and illicit means. Evidence of this, though corporate earnings in rent-based, domestically-oriented industries governed by monopolistic or oligopolistic market structures are subject to elevated tax rates of 35%, recent investigations show that the profits of companies in these sectors are typically taxed at approximately 10%.[177] Whether achieved through outright fraud or nominally legal practices of transfer pricing, the effective tax rate for Tunisia's giant, multisector conglomerates—the majority of which are structured as holding companies, and the majority of which possess a diversity of domestic-market serving businesses—is estimated to be as low as 1%.[178]

As key regime constituents of their own right—indeed, parties that have been entrusted with driving technological convergence, inducing innovation, creating jobs, generating hard currency, and facilitating jumps up global value chains—non-national firms and investors also derive enormous benefits from the tax systems of our case study countries. Export-oriented companies based in offshore jurisdictions—territories legally demarcated from national territory through their designation as export processing zones, special economic zones or as industrial estates—are afforded a constellation of subsidies, tax holidays, exemptions, credits, deductions, and specially reduced rates on different forms of corporate income, as are a host of firms operating in onshore sectors classified as national priorities. The negative fiscal impact of these policies are significant enough, and their developmental effects so marginal, as to earn our three case study countries reprimanding from the OECD, World Bank, and IMF:[179] Indeed, revenues lost through such policies, measured as "tax expenditures", are estimated to run into the billions for Egypt, Morocco, and Tunisia. In Tunisia, the total bill for tax exemptions, inclusive of those provided to domestically-owned firms, was placed at 4.7 billion TD in 2021 and more than 5 billion TD in 2022.[180] These sums were equivalent to approximately half the budget deficit for the two years in question, and

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176 Sahar Mechmech, "Tax incentives: a burden on public finances", Report: Al-Bawsala, , Marsad Budget, and Oxfam (2020).

177 Author personal correspondence with tax experts (Tunis, June 2023).

178 Author personal correspondence with tax experts (Tunis, June 2023)

179 See: Maria Andersen, Benjamin Kett, and Erik von Uexkull (eds). *2017/2018 Global Investment Competitiveness Report: Foreign Investor Perspectives and Policy Implications.* World Bank (2018).
OECD, *Middle East and North Africa Investment Policy Perpsectives,* OECD Publishing (Paris: 2021).

180 See: Annexes to the 2021 Finance Act
Tunis Afrique Press, "UGTT expert urges expanding base of wage-earners exempted from income tax" (November 7, 2022).

significantly in excess of the amounts budgeted to the Ministry of Health. In Morocco, the bill on tax expenditures came in at approximately 2.5% GDP in 2022, or roughly $7 billion.[181] Losses are also thought to range within the same area in Egypt.[182] In addition, note that the Egyptian government—ever desperate for foreign currency—makes capital gains realized from the sale of treasury bills non-taxable for non-residents. In view of the extent to which foreign investors have speculated in the country's sovereign debt market since 2021, the consequence of this small carve-out should not be understated.

Despite having already furnished a tax regime generous enough to prompt the European Union into classifying Morocco and Tunisia as tax havens at different points in recent years, political authorities in our case study countries also grant multinational corporations'leeway when it comes to tax avoidance and evasion practices. The aforementioned Tax Justice Network posits that the tax abuses from these firms results in $758 of revenue losses per annum in the case of Egypt, $807 million in the case of Morocco, and $374 million in the case of Tunisia. Oxfam, for its part, has put the Moroccan figure as high as $2.45 billion in recent years.[183]

Accounting for losses accrued to individuals and firms, the revenues foregone as a result of tax code welfarism in Egypt, Morocco, and Tunisia are, frankly, staggering. In 2021, Faisal Derbal, advisor to then-Tunisian Prime Minister Hichame Mechichi, posited that tax evasion alone had cost the treasury $8.3 billion over the past decade.

As this chapter has demonstrated, these losses are at least partially the product of the popular foundations of power in each country—and specifically, of strategies adopted by the political classes for managing key domestic and international constituents. We say partially, of course, because one need always be mindful in assigning intentionality where incapacity or incompetence may in fact be at work.[184] Indeed, a good case can be certainly made for incapacity having a role in the losses born of tax evasion. For middle and lower middle income countries like those fo-

181 Sebastian Beer, Dora Benedek, Brian Erard, and Jan Loeprick, "How to evaluate tax expenditures", *How To Notes* (IMF: 2022).

182 OECD, "Investment Policy Reviews: Egypt 2020", Report (2020).
Nada Massoud, "Assessment of FDI incentives in Egypt", ERF Working Paper Series 336 (2017).

183 Alchemy in transfer pricing—accounting practices for pricing transactions between entities operating under common control or ownership which often toe the line between the licit and illicit—are at the root of much of these losses. Giving some sense for the scale involved in such schemes, the Moroccan Directorate General of Taxes accused Nestle Maroc in 2021 of using them to reduce its tax bill by $110 million. In Tunisia, customs' losses incurred through the underreporting of the price, quantities, and qualities of goods brought into the country are also prevalent.
See: Abashi Shamamba, "Exclusif: la fisc marocain recleme 110 millions de dollars a Nestle", *Financial Afrik* (August 19, 2021).
Hamza Meddeb, "The hidden face of informal cross-border trade in Tunisia after 2011", Paper: Carnegie Middle East Center (2021).

184 As this applies to Tunisia and the struggles of the tax administration, see: Sahar Mechmech, "The Tunisian tax administration: a broken-down instrument", Report: al-Bawsala (December 2020).

cused on in this study, the resources needed to contest against either the tax arbitrage schemes of multinational corporations or shutting down or the fraudulent practices of wealthy internationals are simply unavailable.

And yet, while some of the revenues annually being lost can indeed be attributed to factors beyond the volition or control of those running governments, a greater share can be shown to have been lost *on purpose*. Tax and investment codes are written under the direction of national political leadership—and under no coercion from the three countries' official creditors, as the statements of World Bank et al make clear. The underfunding of tax authorities, meanwhile, and consequent failures to enforce the legal obligations of individuals and corporations, is the output of choice as well. In both instances, politicized logics abide, principally, a desire to keep constituencies essential to the reproduction of power satisfied by way of resource distribution. The effects of it all for the outlook on social and health policy are corrosive, to say the very least. They are sufficient to ensure that universal, tax-financed systems of social insurance and health provision cannot be developed. They are therefore also sufficient to ensure that the millions who work informally or who have dropped out of the labor force altogether find few viable paths to social or health security.

Chapter V
Discontents of Economic Underperformance: The Effect of Growth Models on the Policy Outlook

There are worlds where the popular foundations of power in Egypt, Morocco, and Tunisia could be maintained (at least in part) and better social insurance and healthcare systems would come to prevail all the same. What distinguishes these worlds from our own is economic growth. In the context of sustained growth powered by particular kinds of economic activity, social and health policies capable of bringing security to larger portions of the population could be instituted, even if extant regimes of tax code welfarism were not fully reformed. Sustained growth, of course, is not observed in our three case study countries. What is more, even on those occasions when the gross domestic product has expanded at high rates, growth has neither been accompanied by the kind of job creation that is necessary to buoy contributory social and health insurance systems, nor has it been driven by the kinds of activity that generate big tax revenue hauls and developmental progress. Unpacking why this is the case, and drawing to light that which impedes Egypt, Morocco, and Tunisia's economic performance, is therefore deeply pertinent to our concerns.

a) Structural restraints to growth: The effects of positioning within international systems of finance, production and exchange

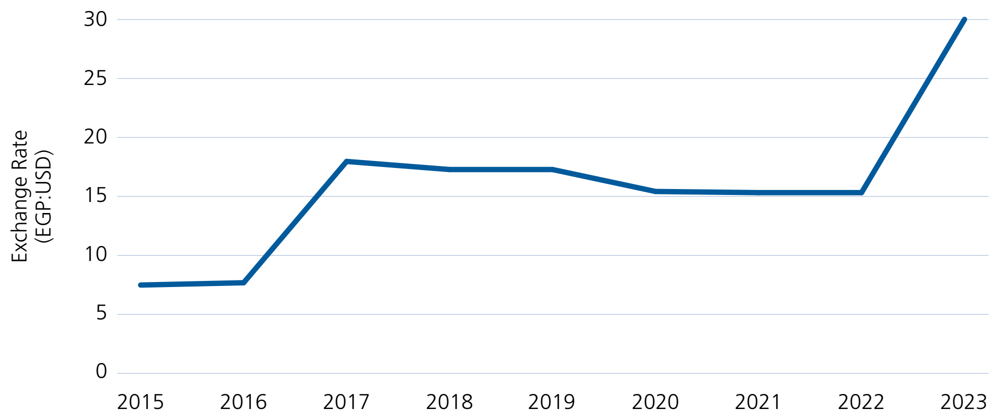
Like all other countries of the global periphery, Egypt, Morocco, and Tunisia see their economic outlooks impacted, and significantly so, by their place within international systems of finance, production and exchange. Concerning the former, the low liquidity premia of our case study countries' national currencies—i.e. the inability of their currencies to serve as a means of settlement, unit of account, or store of wealth internationally—combines with their integration into the global financial system to generate a condition recognized as international financial subordination.[185] Morocco manages this condition better than its peers due to a liquid and largely captive domestic bond market, restrictions on capital inflows, relatively high levels of foreign currency reserves[186], and a strong banking industry trending toward dominance within large sweeps of Africa. Nevertheless, it too suffers, albeit far less acutely than do Egypt and Tunisia, the consequence

185 See: Ilias Alami et al. (2022): International financial subordination: a critical research agenda, in: *Review of International Political Economy.*
Bruno Bonizzi et al. (2022): Financialised capitalism and the subordination of emerging capitalist economies, in: *Cambridge Journal of Economics* 46:4.

186 Stephane Alby, "Morocco 2nd Quarter 2022", Report: BnP Paribas (2022)

of international financial subordination. Derived from the need to attract investment flows from the outside, the consequences of international financial subordination prominently include the need to hoard FX reserves. Functionally speaking, this allocates a large share of a country's capital resources into low-return assets and thereby reduces international investment returns while also depriving local actors of financing.[187] Consequences also include upward pressure on interest rates, which both Tunisia and Egypt have experienced, the latter *in extremis*, and which serves to further retard investment. Just as importantly, international financial subordination typically functions to intensify a country's experience of the financial cycle.[188] The effects of this are multi-faceted and deeply corrosive, as the Egypt of the Sisi-era can aptly attest.[189]

Figure 1. Egypt in the international financial system

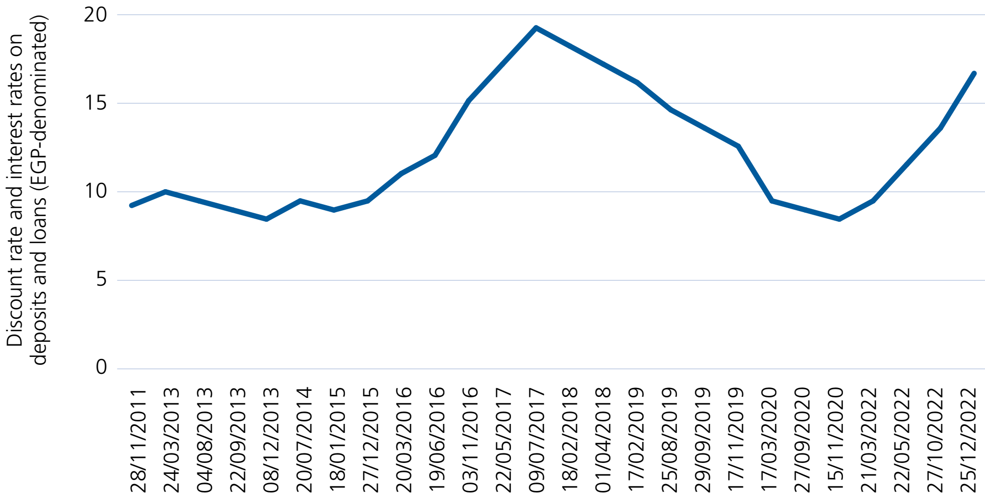


187 Fathimath Musthaq, "Dependency in a finacialised global economy", *Review of African Political Economy* 48:167 (2021).

188 See: Elissa Braunstein: Financial crises among emerging and developing economies in the modern era, in: Gerald Epstein (ed.) *The Political Economy of International Finance in an Age of Inequality: Soft Currencies, Hard Landings* (Edward Elgar Publishing: 2018)
Yilmaz Akyuz: *Playing with Fire: Deepened Financial Integration and Changing Vulnerabilities of the Global South.* (Oxford University Press: 2017).

189 When liquidity is abundant within global financial centres (GFCs), investors tend to seek greater yield in emerging markets, be it by arbitraging interest rate differentials on the price of credit or by buying properties of one variety or another. This type of speculative energy triggers sharp spikes in asset prices within the countries receiving the capital flows, and often an appreciation of the local currency as well. It also tends to bias the receiving economy towards financial activities, thereby distorting macroeconomic fundamentals. The busts that follow capital bonanzas create issues of even greater magnitude. When liquidity conditions tighten in the GFCs, the need to maintain solvency and the ability to borrow dictates that large investors convert their portfolios into the most liquid assets possible. Materially, this implies a rush for safe-haven assets such as dollars and US treasuries, and, inversely, a rapid deleveraging from emerging market debt and equities. For the countries hosting the fire sales, their onset imperils the balance of payments, threatening rapid currency depreciation and the ability to both pay for imports and cover debt repayment obligations. This was the precise course of events observed in Egypt in the winter of 2022.

Interest Rates Across Time



Data provided by Central Bank of Egypt

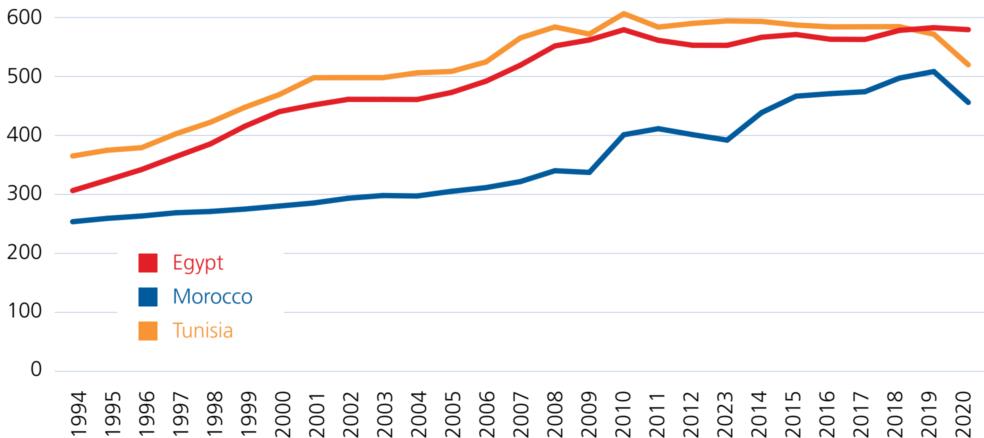
The international system of production is similarly adverse to the growth prospects of our case study countries. The commencing of secular stagnation in global manufacturing in the 1970s coalesced with China's subsequent emergence as the world's factory to make industrial activities and insertion into circuits of industrial production highly tenuous.[190] Scaling of value chains was thereby rendered increasingly difficult and highly competitive. The advance of intellectual property rights over the past thirty years, meanwhile, has ensured that those atop value chains capture what are akin to monopoly profits.[191] Alternatively, for the countries serving as the suppliers of primary and intermediate goods to global value chains, the enforcement of intellectual property rights has implied heightened levels of exploitation (i.e. compressed wages) and lower levels of profit.[192] Both outcomes undermine growth potential, and both are fully observable across our case study countries, notwithstanding successes like Morocco's in climbing the ranks of automobile and aerospace manufacturing.

190 Aaron Benanav, "Automation and the future of work", *New Left Review* 119 (2019).

191 Brett Christophers, *Rentier Capitalism: Who Owns the Economy and Who Pays for it?* (Verso Press: 2020).

192 Herman Mark Schwartz, "From Fordism to Franchise: intellectual property and growth models in the knowledge economy", in Lucio Baccaro, Mark Blyth and Jonas Pontusson (eds.) *Diminishing Returns: The New Politics of Growth and Stagnation* (Oxford University Press: 2022).

Figure 2. Manufacturing Value Added Per Capita



Data provided by UNIDO

Animated by the prevailing logic of production, the international system of exchange disadvantages Egypt, Tunisia, and Morocco as well. By dint of greater value accruing to goods closer to the technological frontier and cost-based competition driving the price of less sophisticated goods downward, all of our case study countries fight against constantly declining terms of trade. The current account deficits they run up as a result force them to turn to international providers of credit to sustain imports. As history testifies, these creditors have a tendency to demand cuts in public expenditures to ensure they are repaid. In this manner, external imbalance (and a lack of monetary power) ultimately necessitates a squeeze on domestic demand while also leading to a steady drain of wealth to the outside.[193] The current account constraint on growth, like the constraint on growth that is implied by the need to import capital goods, is therefore very real for all three countries, if most pronounced in Egypt and Tunisia.[194] Furthermore, as major energy and food importers, our three case study countries are also highly exposed to the vagaries of international commodities markets. Insomuch as those commodities markets have witnessed exploding volatility due to expanding derivatives' trading over the past few decades, exposure translates into another drag on economic growth. The skyrocketing of oil, natural gas, and grain prices in 2022, for instance, would not only limit Egypt and Tunisia's ability to mobilize resources for public investment while draining their economies of hard currency and setting off runaway inflation, but also hurt the competitiveness of exporters due to major jumps in input prices.

193 Benjamin Cohen, *Currency Power: Understanding Monetary Rivalry* (Princeton University Press: 2015).

194 See: Engelbert Stockhammer and Ozlem Onaran, "Growth Models and Post-Keynesian Macroeconomics", in Lucio Baccaro, Mark Blyth and Jonas Pontusson (eds.) *Diminishing Returns: The New Politics of Growth and Stagnation* (Oxford University Press: 2022)

Appreciated in full, then, the positioning of our three case study countries within international systems of finance, production and exchange can clearly be seen to have a negative impact on their growth outlook, and, by extension, on the possibility of building universal, tax-financed social insurance and healthcare systems.

b) Misconceived Growth Regimes

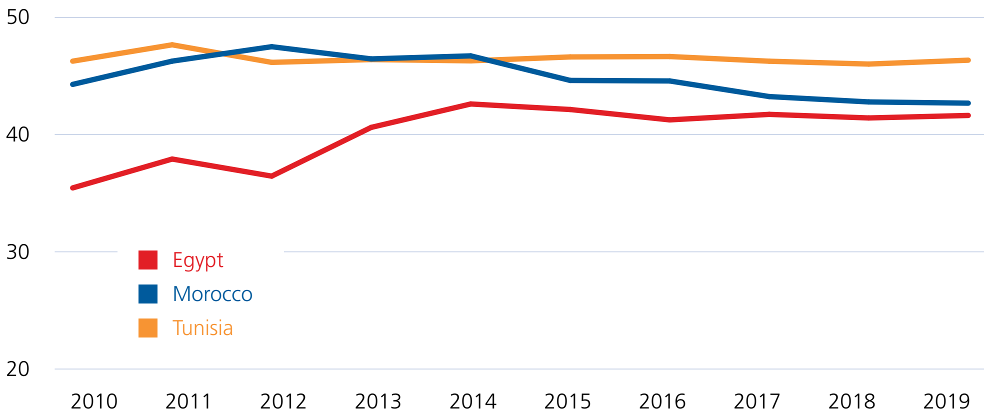
Nevertheless, it is not as if the nature of this positioning has itself been imposed purely from the outside, nor is it the case that it alone determines economic performance: The design of growth regimes by national policymakers is also at play. [195]

Since 2011, all of our case study countries have toggled between different growth regimes without ever finding one capable of powering high economic performance. Responding to mounting social pressure during the early days of the Arab uprisings, political leaders in each country were seen to first attempt a move toward domestic demand-led growth. Operationally, this came in a variety of forms depending on the country, mixing expanded public sector hiring, the installment of measures for raising labor compensation like minimum wage hikes, and relatively loose monetary policies, including the extension of subsidized credit. Empirically, it is observable in an uptick in the labor share of income. Though the functional distribution of income would remain weighted toward profits throughout, the period stretching between roughly 2010 and 2015 (2014 in Morocco's case) evince wages taking up a larger role in the demand regime.

Largely by dint of a balance-of-payments constraint on growth, domestic demand-led regimes failed to generate sustained economic expansion. Weak labor productivity in Tunisia and Egypt made performance particularly poor. Unable to produce requisite output for either domestic or international markets, the goosing of domestic demand ultimately led only to worsening trade balances and inflation.

195 The growth regimes approach adopted here has been developed by scholars of Post-Keynesian economics. A defining feature of the tradition is the view that growth is predominantly demand-driven not only in the short run, but over the long-term as well. This principle applies not only at the level of nations, but for the global economy as whole. That said, the post-Keynesian approach does carve out a concern for supply-side constraints when it comes to developing economies. Per Stockhammer and Onaran (Ibid: p.61), this stems from the fact that most their exports "are in primary goods or basic industrial goods, which face a low-income elasticity but high price elasticity. These structural features of the economy imply that dependent economies are less likely to be able to capture the gains of productivity growth, and that a crucial element of the elastic supply conditions...depends on the ability to import machinery." As increasing productivity and domestic demand is therefore not sufficient to increase the supply of goods—as higher levels of demand does not automatically prompt increases in the output of firms, the latter of which feeds would feed back into demand in a virtuous cycle—growth in these spaces is balance-of-payment constrained. This constraint has factored prominently for all three of our case study countries.

Figure 3. Labor Share of Income (ILO estimate)



Data provided by ILO

At this point, case study countries pivoted, albeit in different manners. Tunisia turned to what Hein and Mundt would classify as strong debt-driven growth regime, where increased borrowing was used to boost consumption and government expenditures. Investment, critical for the economy's long-term outlook, was largely neglected. Egypt also adopted a debt-driven regime, though one which it sought to boost through increased investment and raised export income. On the export front, governments under the direction of President Sisi inaugurated unceasing crackdowns on labor with an eye on ending strike-derived disruptions to production and juicing external competitiveness via the compression of wages.[196] On investment, policymakers directed resources into the built environment, allocating billions into an assortment of infrastructure and real estate projects.

For a number of reasons, these efforts in Egypt and Tunisia were insufficient to drive sustainable growth. In Egypt, the second-order effects of new roads and trainlines would prove marginal due to the neglect of productive activities: Improved logistics matter little if firms are not capable of taking advantage. Luxury real estate investments—marketed in many instances to Libyan and Gulf investors—may have functioned as a de facto export, though offered little of long-term economic value. The wider outlook on net exports, meanwhile, was structurally compromised by the Sisi governments' antagonistic relations with the family-owned conglomerates that dominate export industries, the military's inefficient colonization of industries, the high import-content of the country's exports, and Europe's secular stagnation.[197] In Tunisia, meanwhile, a lack of investment combined with stagnating productivity and a series of exogenous shocks to keep growth low.[198]

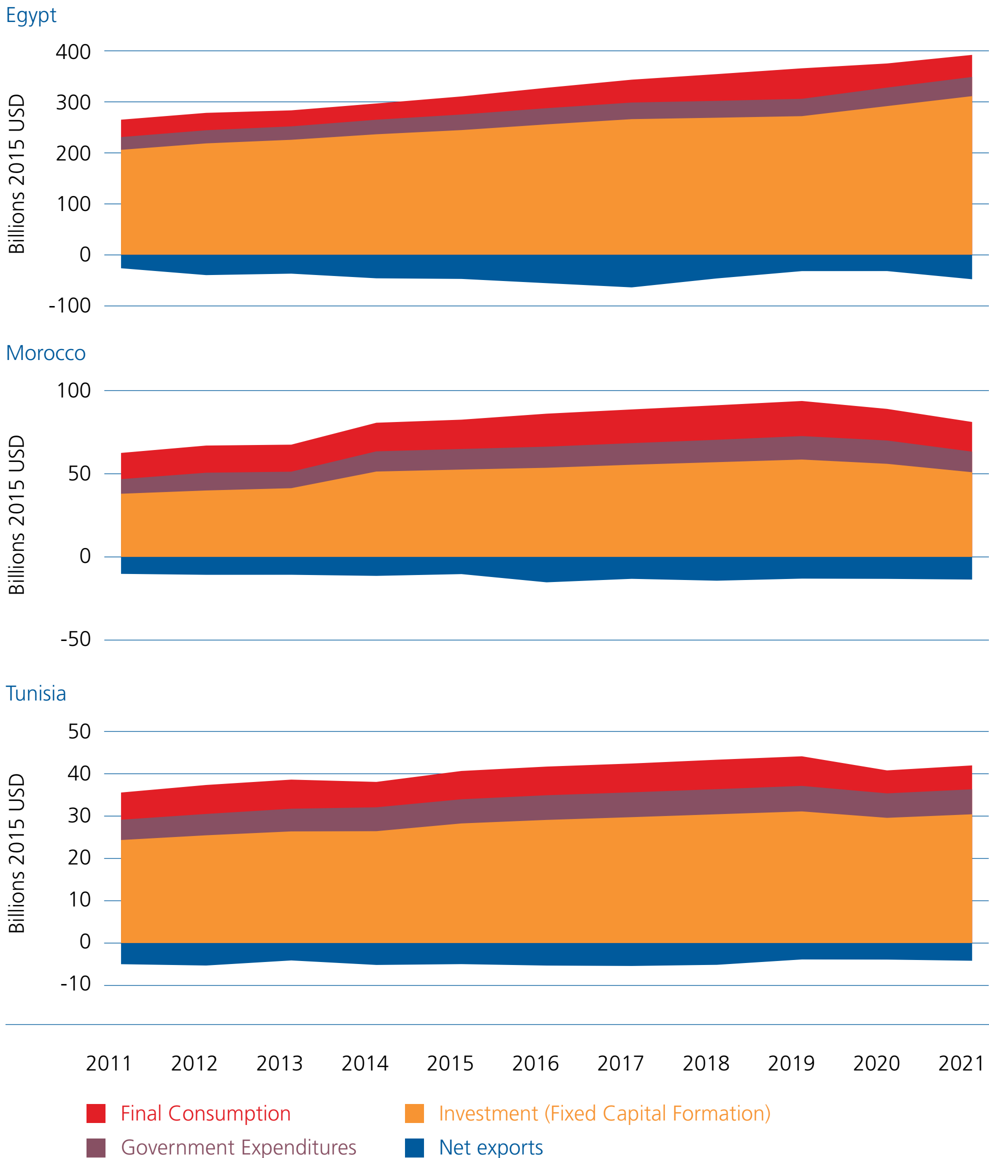
196 Fatima Ramadan and Amr Adly, "Low cost authoritarianism: the Egyptian regime and labor movement since 2013", Report: Carnegie Middle East Center (2015).

197 Amr Adly, "Too big to fail: Egypt's large enterprises after the 2011 uprising", Report: Carnegie Middle East Center (2017).

198 See: Powers (2022).

Contrarily, in Morocco, a more balanced mix of debt and export-driven growth was achieved. There, labor compensation was reduced through a diversity of means, though differently from Egypt, domestic demand losses were mitigated through debt-financed consumption. Export income, meanwhile, also increased through good weather and a more effective steering of investment into productive activities.

Figure 4. Drivers of Aggregate Demand



As the graphs above hint at, the debt-driven regimes adopted by our case study countries struggled to generate high levels of growth. In Egypt, debt flows were not only earmarked for the built environment, but, as in Tunisia, to fund the current expenditures of the state. For reasons having to do with the balance-of-payment constraint discussed earlier, these outlays had a low multiplier effect on growth.[199] Overreliance on debt also led to demand destruction in 2020 and 2022, when external financing dried up, forcing fiscal contractions and currency devaluations.[200] While debt was used more productively in Morocco, as those same graphs indicate, its effects on growth were still limited. This can be attributed to Europe's troubles and the resulting weakness of demand in Morocco's key export markets and to the more structural limits that come with an export sector's biases toward agricultural goods and foodstuffs, items for whom production is innately volatile and demand highly price inelastic. For all countries, note that growth regimes being implemented also proved ineffective in translating growth into job creation.[201]

Through its effects on job creation, tax receipts, and national income, economic growth is fundamental to the prospects of social and health policy in North Africa. Unfortunately, for reasons detailed in this chapter, the growth forecast for Egypt and Tunisia is ominous to say the least. And while Morocco is in better stead, conditions imposed by the country's peripheral positioning within international systems of finance, production, and exchange—the economy's heavy dependence on the export of agricultural products most especially—most certainly cloud the horizon.

For each of our case study countries, a better growth future hinges upon a number of variables coming into alignment. Smart policymaking and considerable reform to the organization of the global economy would be needed. So too would a reordering of domestic political economies. At the time of writing, it is difficult to conceive that any of these changes will come to pass, apart, perhaps, from policymaking in Morocco. The pass-through effects on social security and health outcomes will likely be steep indeed.

199 Sy et al (2021): 11

200 As currency devaluations are unlikely to boost export income in either country going forward due to the high import-content of exported products, their effects on export income are unlikely to be significant.

201 Cardarelli et al (2022): 35-39

Conclusion

Before the calendar had turned to 2022, the economies of Egypt, Morocco, and Tunisia were already suffering from differing levels of distress. SARS-CoV-2 had only just exacted what appeared to be permanent or semi-permanent damage to states' finances, labor markets, the development of children, and to income and wealth distributions. As this all came on the back of a lost decade, the economic and social toll of the pandemic was even higher than appears at first glance.

Into this mix did the Russian invasion of Ukraine then arrive. In conjunction with the Federal Reserve's raising of interest rates—a move hastened though not caused by the outbreak of military hostilities on the European continent—the fallout of war proved expectantly devastating. Each of the countries in question being a major energy and food importer, terms of trade shocks quickly set in.[202] Facing spiking prices in international commodities markets, Tunisia's trade deficit grew by nearly 50% during the first eight months of the year.[203] Even with remittances partially mitigating the strain on external accounts, the damage was considerable. In conjunction with the phosphates' trade, remittances also helped Morocco stave off the worst, though the country still ran up a current account deficit equivalent to 4.1% GDP.[204] Sales of liquefied natural gas, meanwhile, helped steady Egypt, though still left a trade deficit in the area of $40 billion.

Notwithstanding some variance between countries, external imbalances in turn gave way to significant jumps in inflation. Weakness in domestic inflationary pressures initially kept the bump weak in Morocco, though the consumer price index still saw an 8.3% year on year increase as of autumn.[205] In Tunisia, inflation eclipsed 8% starting in June before breaking double digits in December. Worst of all was Egypt, where, as mentioned earlier, inflation was estimated to reach nearly 90% if measured based on the black market exchange rate.

With each of our case study countries attempting to shelter final consumers from price changes in basic goods through subsidies and other means, the fiscal troubles of governments also worsened. For Tunisia, food and energy supports came with a bill of 8.2% GDP for the year.[206] In Morocco, they cost 2.4% GDP and in Egypt—despite the government reducing their coverage

202 International Monetary Fund, "Regional Economic Outlook: Middle East and Central Asia—Mounting Challenges, Decisive Times", World Economic and Financial Surveys (October 2022): 20

203 Stephane Alby, "Tunisia 4th Quarter 2022)", Report: BNP Paribas (October 2022).

204 World Bank, "Morocco Economic Monitor: Responding to Supply Shocks Winter 2022/2023", Report (February 2023).

205 Ibid

206 FitchRatings, "Tunisia's wage agreement raises likelihood of IMF deal", Fitch Wire (September 15, 2022).

and magnitude considerably—they still cost north of $7 billion for fiscal year 2022-2023.[207] As the tightening of financial markets brought on by the Federal Reserve's actions affected MENA's oil importers access to dollar-denominated credit significantly—and as Egyptian in particular saw 20$ billion swiftly leave the country during the spring of 2022—liquidity-based issues also became salient everywhere but in Morocco. The state amassed huge arrears in Tunisia, and its failures to make transfers to the Office of Cereals led to shortages of bread and bakeries being forced to wait months on payments.[208] In Egypt, the central bank's attempts at preserving hard currency reserves by way of limited FX auctions and stringent import licensing demands, meanwhile, led to shortages in many basic goods and medicines.

Looking ahead, the picture is fairly bleak. In Egypt and Tunisia, significant headwinds to growth are present in the form of austerity, tight capital markets and low productive investment. The accumulation of substantial local-currency debt over the past few years—denominated at short maturities and with high interest rates—is also set to constitute a huge drag. Though financial and fiscal conditions are far healthier in Morocco, forward-looking indicators like household confidence, cement sales, and industrial production capacity utilization suggest a slowdown is on the way there, too.[209] Substantial downside risks also lurk in the forms of a potential European recession—and the declines in FDI and demand for Moroccan exports it would bring—and yet another drought.

All these developments pertain quite clearly to the future of social insurance and healthcare in North Africa. As this report has clarified, policy outcomes in both regards are a function of influence and income—to wit, a function of the popular foundations of power, on the one hand, and economic performance on the other. Viewed across time, both variables can be seen to have led the way to social insurance and health systems which leave a great many people without meaningful security. In the years ahead, moreover, these same variables are poised to prevent this from being changed.

When it comes to the popular foundations of power, we have attempted to demonstrate why it is tax code welfarism, and not the privileged status of formally employed workers, that constitutes the biggest obstruction to change. We make this argument in view of the fact that it is tax code welfarism—and the billions in public revenues losses that it generates—which makes the building of universal, tax-financed social insurance and healthcare systems an impossibility. As for

207 Gamal Essam el-Din, "Egypt's 2022/2023 draft budget allocations EGP 356 billion to subsidies, grants and social programmes", *Ahram Online* (April 24, 2022).

208 Aymen Bessalah, "With or without an IMF deal, Tunisia faces a rough road to recovery", Analysis: The Tahrir Institute for Middle East Policy (2022).

209 World Bank, "Morocco Economic Monitor: Responding to Supply Shocks Winter 2022/2023", Report (February 2023): 3

economic performance, we have attempted to demonstrate why it is the coalescence of growth models with the structure of global systems of finance, production and exchange that stands in the way. This is because the alignment of these factors in Egypt, Morocco, and Tunisia do not facilitate the kind of job-intensive, high volume growth needed to either enhance the inclusivity of existing social insurance and healthcare systems or to build alternative, non-employment tied modalities.

None of these impediments are permanent in nature. They are, however, propelled by structural conditions, path dependence, and existing distributions of political capital, all of which makes them hard to move. For those looking on from the outside and hoping to see better social insurance and health systems established, it is now incumbent that efforts be made toward addressing the structural conditions in question. Without instituting changes to the logic of global finance, production and the like, after all, it is difficult to foresee how the right kinds of economic growth will come to these shores. So long as this growth is absent, the kinds of expansions and parametric reforms that have been instituted in recent years—with the active backing of institutions like the World Bank—will never bring actual inclusivity to existing social insurance systems, nor will they return those systems to financial viability.

For those at home, the task is to shift both the policy consensus and the distribution of political capital in so much a manner as to facilitate major reform. Large majorities are suffering under a status quo that ignores the plight of the poor, unemployed, and informally employed. For progress to be achieved, the interests of these groups must find traction in the halls of power and be made central to policy design.

The degrees of difficulty inherent to these tasks may be impossible to overstate. As ever, then, these are times for pessimism of the intellect, optimism of the will.

Endnotes

i Muhammad Sa'id Pasha's decree in 1854 established a pension policy for a small group of civil servants, marking the first Egyptian foray into social insurance. This system was further developed through the passage of laws in 1871, 1887, 1909 and 1929 before being partially rolled back in 1935.

ii Following the British Protectorate's official end in 1922 and the restoration of parliamentary life in 1923, this movement helped compel the passage of workmen's compensation legislation in 1936 as well as that law's amending in 1942. Cash maternity benefits went on the books for certain categories of workers in 1933 as well, and sickness, death and dismissal compensation rights were conditionally established through a 1944 employment contracts law. Six years hence, moreover, with political winds in London moving in the favor of welfarism and the British High Commissioner still the de facto sovereign of Egypt, a Social Security Law (no.116 of 1950) was introduced. Evincing considerable ambition, the legislation nominally rendered every Egyptian (as well as non-Egyptian residents of ten or more years) eligible for a non-contributory pension funded out of public revenues beginning in February 1, 1951.

iii Per the terms of Article 17, the state was constitutionally obligated to guarantee social and health insurance services to the citizenry and to recognize the right to a pension in the event of old age, injury, or unemployment.

iv For state employees, this shift was effectuated first through the establishment of a provident fund via Law no.316 of 1952 and later through that fund's reorganization as the Pension Insurance Organization (PIO) in 1963. Through the creation of the Saving and Insurance Establishment in 1956, a body subsequently rechristened the Social Insurance Organization (SIO) in 1964, private sector employees and the workers of the country's expanding state-owned enterprises were also brought into the fold of contributory social insurance. Schemes were originally fully-funded—with an individual's contributions invested and then returned to them as an old-age pension—though the transition to a defined-benefit, pay-as-you-go arrangement was completed fairly early on. To handle the administration and regulation of the quickly evolving social insurance system ecosystem, Republican Decree 889 of 1973 established a new government Ministry: the Ministry of Social Insurance. Expansive in remit, the Ministry's mandate entailed oversight of the PIO and SIO, defending the rights of the socially insured, and more generally managing the social protection of the citizenry.
For more on this history, see: Mathilde du Pradel and Farida Youssef, "How did social insurance in Egypt become a problem rather than a solution?", *Jadaliyya* (September 2015).
Maia Sieverding and Irene Selwaness, "Social Protection in Egypt: A Policy Overview", Working Paper no.23: Gender and Work in the MENA Region (Population Center, Cairo: 2012).
Michael McLindon et al, "Enhancing Egypt's social insurance system", Report: Technical Assistance to Support the Reform Activities of the Government of Egypt and Provide Management Activities submitted to United States Agency for International Development and the Ministry of Social Insurance of the Arab Republic of Egypt (1999).

v Health insurance policies were established for workers under the 1959 labor law and then further specified through Laws no.63 and 75 of 1964.

vi Sadat's rationalization of benefits was instituted through Law no.79 of 1975. The law made social insurance coverage mandatory for all public and private sector workers above the age of 18 (16 in the case of government employees), introduced unemployment and maternity protections, and revised the terms of old-age, invalidity, and death insurance policies. His development of a private insurance marketplace was facilitated through a separate 1975 law (no.54), which established voluntary occupational pension plans providing supplementary benefits in the areas of illness, marriage disbursement, disability. Expansion of system coverage, meanwhile was advanced through a series of laws passed between 1975 and 1980: namely, Law no.79 of 1975, Law no.108 of 1976, Law no.50 of 1978, and Law no.112 of 1980. These laws (notionally) brought categories of and previously excluded from the insurance system—specifically, sole proprietors and the self-employed; individuals working abroad; agricultural, construction and casual (or temporary) laborers—into the fold. Obligations and benefits for those categories of workers incorporated via other 1970s-era legislation was vastly different, however. For instance, construction contractors were provided neither sickness, maternity, nor unemployment coverage, whereas the types of workers initially covered by social insurance were. That said, even if subject to obligations and benefit schemes vastly different from the system's core membership, note that the extension of social insurance to these new categories of workers did result in a total of nearly fifteen million Egyptian workers coming to possess some degree of old age and survivor insurance as of 1991 (see: McClindon et al (1999): p. I-5.).

vii Depending on the time period, the pension funds' loans to the National Investment Bank would produce nominally high returns in terms of interest income. This income was only nominal, however, because annual yields would be automatically rolled over and reinvested with the NIB, i.e. not returned to the funds themselves. This would create liquidity issues at certain times, and, in depriving the funds of anything resembling investment diversification, tie the fate of the pension system to the performance of a single financial institution.

viii Note these administrative units would themselves experience a subsequent iteration of institutional restructuring, yielding the following organizational forms: the Government Social Insurance Fund (GSIF), administering distinct

pension and insurance schemes for civil servants and military personnel; the Public Social Insurance Fund (PSIF), administering distinct pension and insurance schemes for the employees of state-owned enterprises as well as contributors from the private sector; and the National Organization for Social Insurance (NOSI), overseeing the entire system.

ix As of the late 1990s, both Egyptian social insurance funds remained in relatively strong financial health. The SIFGE generated income in excess of 12 billion Egyptian pounds (LE) and ran a surplus of 8.9 billion pounds for fiscal year 1997-1998, with revenue streams breaking down as follows: LE 5.3 billion from contributions, LE 4.7 billion from returns on investment managed by the National Investment Bank, and LE 1.8 billion from government transfers. That same fiscal year, the SIFPPSE, reported income of LE 13.2 billion and an operating surplus of LE 8.1 billion. Relative to the SIFGE, however, its revenue streams were considerably more dependent on fiscal subsidies: contributions and investment income in 1997 and 1998 together represented about 72% total fund revenues, with transfers from the Treasury making up the vast majority of the remaining 28% gap. Zooming out to the level of balance sheets, the funds looked in relatively good standing at the time, though a lack of investment diversification exposed them to considerable downside risk. Beneficiary of demography and the relative youth of the labor force in the mid-late 20th century, the SIFGE accumulated assets equivalent to LE 55.2 as of 1998, a sum in excess of the fund's liabilities. Approximately 90% of assets were in the form of interest-bearing loans extended to the National Investment Bank, however, which if notionally returning the 13% per annum nevertheless left the fund highly vulnerable both to the performance of the NIB and the financial cycle more generally. Slightly smaller, the SIFPPSE held nominally valued at LE 49.7 billion at this juncture, 93% of which were in the form of loans to the NIB.

x In 1919, the Société Fraternelle de Secours Mutuels et Orphelinat du Personnel des Services Civils de la Sécurité Publique was created in Morocco, establishing a mutual aid society for the civil servants administering the protectorate. This foundation were augmented ten years later with the foundation of the Oeuvres des Mutualités des Fonctionnaires et Agents Publics du Maroc before being expanded to the wider reaches of public sector in 1936 via the establishment of the Mutuelle Générale des Postes et Télécommunications and the Mutuelle Générale des Administrations Publiques du Maroc, respectively.

xi For this history, see: Samir Saul, "Naturalizing insurance in Algeria, Morocco, and Tunisia" in Peter Borscheid and Niels Viggo Haueter (eds.) *World Insurance*, (Oxford University Press: 2012).

As Saul details, the first step toward contemporary risk pooling and institutionalized labor protection for private sector workers in Morocco can be traced to 1926, when a workmen's compensation program was established for the (primarily foreign) workers of the International Zone of Tangiers. Decrees issued in 1927 and 1928 notionally generalized the reach of the program to the entirety of Moroccan territory. The foundation of the La Casse d'Aide Sociale in 1942, an employer-financed initiative which provided family and childbirth allowances to the employees of large enterprises, bequeathed another institutional building block, albeit one of limited contemporaneous utility to Moroccan nationals. For them, substantive progress would need wait for decolonization, which arrived in 1956 (notwithstanding Spain's halting departure from the country, which was not finalized until 1958).

xii Led by French and Italian workers in its early days, the Tunisian labor movement initially mobilized in the mines of the Compagnie des Phosphates et des Chemins de Fer de Gafsa, which would be the site of the formation of Tunisia's first trade union in 1919. Problematic in many ways—amongst other things, the organization partitioned European workers from their Tunisian counterparts—the union's agitation did help secure accident indemnities for Tunisia's miners and agricultural workers as of 1924. Due to the European leadership's refusal to advocate for wage equalization policies for union members, however, Tunisian labor activists were prompted into going out on their own. Seeking a break from the "union protectorate" maintained by their European peers with the complicity of the colonial government, they did so through the foundation of two regional federations of trade unions. Banned at inception and their leadership subjected to exile, the two federations persevered across a difficult first decade. In the mid-1930s, however, their efforts began yielding results, partially due to a changing of the guard in Paris—principally, the coming to power of the Front Populaire, a formation that championed "colonial socialism" and one whose ascension to power brought about a profound shift of conditions for those engaging in contentious politics. In 1936, these federations managed to establish paid leave and a forty-hour work week for workers in designated industries. Seven years later, worker mobilization also extracted a minimum wage for those toiling in the mines, and in 1944, family allowances for the entirety of the private sector labor force.

xiii As Hartshorn details, though the UGTT represented only one amongst a number of competing labor organizations at the moment Tunisia won its independence, allegiance with the Neo-Destour combined with early international recognition to facilitate its rise to a monopoly position.

xiv While furnishing protections against injury and sickness, note that Law 60-30 did not include a pension program. This was amended in 1974, however, at which time benefits for survivors and disability were also added. In terms of investments, CNSS and CNRPS reserves were initially allocated for the purchase of bank and infrastructure-tied government bonds. With the establishment of the Caisse Nationale d'Epargne and the Societe Nationale d'Investissment, pension fund capital also began financing public goods like social housing.

xv Two benefit regimes exist for agricultural workers—the RSA and RSSA. A general regime specified under the RSNA prevails for the non-agriculturalists. Benefits for the self-employed are defined and distributed by the RTNS. Those for diaspora workers, finally, are specified by the RTTE.

xvi Divestment and processes of active and passive privatization prompted a deterioration in the capacity of the public health system. It also triggered the introduction of both "balanced billing" for insured patients and mandatory end user charges for most services at state-run hospitals, regardless of whether the patient was insured or not.

xvii Fruit of a process begun under the businessmen's government of Ahmad Nazif in 2004, the previous package had defined lower contribution rates for employers and employees, lifted the upper ceiling on the contributions wage workers could make (and by the same token, on the maximum pension), established a government subsidy of 15% to support pension contributions of hitherto informal workers, allowed for 40% of pension system reserves to be invested in capital markets (rather than in government bonds), and recalibrated the pension calculation formula to disincentivize early retirement and the misreporting of income.

xviii The Law dictates that the Ministry of Finance make fixed annual transfers of EGP 90.4 billion, with the nominal amount subject to annual increases of 5.7%.

xix This legally ambiguous category that in practice refers to persons with special needs, those living in social care facilities, and that fraction of the poor currently registered to and deriving benefits from to the Takaful and Karama social protection programs

xx RCAR manages the social insurance schemes of local government employees and the employees of state-owned enterprises.

xxi That said, note that comments released from a fall 2022 social dialogue conducted under the chairmanship of Minister of Economy and Finance Nadia Fettah suggest the unification of parametrics and of pension funds may currently be on the table.

xxii Access to unemployment insurance has been conditional on an individual being engaged in regular contracted work. At the time of writing, the plan is to extend this insurance to anyone in "stable" work in 2025.

xxiii Out-of-pocket expenditures did drop by approximately five percentage points in 2018. This significant drop still left them in the comparatively high range of 46-48%, however.

xxiv Though the minimum wage against which minimum pensions are calculated is to increase 15% annually, that is only for the first seven years after the law's introduction.

xxv This method for measuring inflation was developed by Steve Hanke, Professor of Applied Economics at Johns Hopkins University. For the October calculation, see: <https://twitter.com/steve_hanke/status/1613302359320412162>

xxvi According to the World Bank, the informal employment rate in 2018 was more than 77%. Given the country's exceedingly low labor force participation rate, the addition of 3.4 million workers to the CNSS in 2022 sufficed to bring the informal employment rate below 30%.

xxvii A share of this majority does retain proxy access to social insurance through a spouse.

xxviii Nasri et al (2022) estimate these practices had cost the CNSS in the area of TD 5 billion as of 2017.

xxix Capital gains realized through the sale of unlisted shares and securities are taxed at the rate of wage income.

xxx The doctors and lawyers' syndicates joining of the protests against Mubarak in 2011 had a major impact on the course of events.

Social and healthcare policy have been reformed significantly in Egypt, Morocco, and Tunisia over the past ten years. On the healthcare front, governments have moved further down the track of becoming insurers rather than service providers. On social policy, reforms have yielded conditional social protection arrangements alongside reconfigurations to contributory social insurance programs.

Despite having a few successes on the board, the return on these reform pushes have been underwhelming. This report contends that such outcomes stem from two primary causes. The first is the popular foundations of power. Increasingly maintained through the administration of tax code welfarism, these foundations redound onto social and healthcare policy failures by depriving governments of the revenues needed to fund existing obligations--never mind those needed to build better alternatives. The second cause is national growth regimes. These regimes generate growth rates consistently below potential as well as low labor force participation and pervasive informality. For social insurance, the consequences are dire. Facing declining numbers of new contributors and growing numbers of (longer living) retirees, pension systems built upon the pay-as-you-go model are losing their grasp on financial viability. At the same time, low growth worsens tax revenue troubles, making it more difficult to cover pension fund deficits or to develop the publicly-funded, non-employment tied social and healthcare insurance systems that are so sorely needed.

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