MENA CITIZENS want better public services and to narrow the gap between rich and poor.

PERCENT OF CITIZENS

70% think governments are not doing enough to narrow the gap between rich and poor.

60% think governments are not doing enough to improve basic health services.

FISCAL POLICY struggles to address these needs because:

- Governments spend too little on social services
- Public services are inefficient
- High spending on subsidies & wages reduce space for other spending
- Tax collections are too low
- Corruption undermines accountability & trust

HOW CAN FISCAL POLICY promote higher inclusive growth:

1. Raise spending on health, education and essential infrastructure
2. Develop and expand social safety nets
3. Build wider and more equitable tax bases
4. Tackle corruption and promote transparency
**FACTS**

- Governments spend too little on social services
- Public services are inefficient
- High spending on subsidies & wages reduce space for other spending
- Tax collections are too low
- Corruption undermines accountability & trust

**PRIORITIES**

- Raise spending on health, education and essential infrastructure
- Develop and expand social safety nets
- Build wider and more equitable tax bases
- Tackle corruption and promote transparency

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**Governments spend too little on social services and many citizens lack access**

**MENA** spends **11% of GDP** on education, health and social safety nets.

- **20-24 yrs. old in the poorest quintile with 4 years or less of schooling**: 20 million youth
- **5 million youth** with less than 4 years of schooling
- **0.7 million youth** with more than 4 years of schooling

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* Based on data compiled by the International Labour Office, the World Bank, the World Economic Forum, and the International Monetary Fund. Survey results are from the Arab Barometer Survey and the ASDA'A Burson-Marsteller Arab Youth Survey.
**Public services** are inefficient and of poor quality

**FACT No.2**

<table>
<thead>
<tr>
<th>Region</th>
<th>Infant Mortality</th>
<th>Total Health Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>MENA</td>
<td>25.9%</td>
<td>$1,033</td>
</tr>
<tr>
<td>EMs</td>
<td>17.0%</td>
<td>$977</td>
</tr>
<tr>
<td>OECD</td>
<td>5.9%</td>
<td>$3,735</td>
</tr>
</tbody>
</table>

**MENA spends** more on health than other regions but has:
- Higher levels of infant mortality
- Lower life expectancy

**FACT No.3**

**High spending on subsidies and wages** reduces space for social and investment spending

Government spending on wages amounts to **32%** of total spending.

MENA accounts for **1/4** of global spending on fuel and energy subsidies.

MENA spending on fuel subsidies: US $74 Billion.

Fuel subsidies going to:
- Bottom 20%: 7%
- Top 20%: 43%

Total spending on wage bills in 2016:
- MENA: 32%  
- EMs: 21%  
- AMs: 23%
Tax collections are too low to fund higher inclusive growth spending

- Personal income taxes are not very progressive: the rich often pay less in taxes as a share of income than an average citizen
- Tax exemptions are widespread
- Property and wealth are often excluded from the tax net

MENA tax revenue averaged just **9%** of GDP in 2016

18% Emerging Markets
11% Low-income Countries
9% MENA

MENA’s budget transparency is **1/2** that of EMs in other regions

Governance scores have deteriorated in the past 6 years

<table>
<thead>
<tr>
<th>Metric</th>
<th>2010</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Effectiveness</td>
<td>38.5</td>
<td>34.6</td>
</tr>
<tr>
<td>Regulatory Quality</td>
<td>36.6</td>
<td>32.7</td>
</tr>
<tr>
<td>Rule of Law</td>
<td>36.8</td>
<td>33.7</td>
</tr>
<tr>
<td>Control of Corruption</td>
<td>36.2</td>
<td>34.0</td>
</tr>
</tbody>
</table>

Corruption and lack of transparency on how governments collect and spend money undermine trust and accountability

23.4 MENA
45.7 EMs

Open Budget Index
**HOW FISCAL POLICY CAN PROMOTE HIGHER INCLUSIVE GROWTH**

**No.1** Prioritize spending that generates opportunities for all

Wider access to better quality health & education services will generate more opportunities for all.

Eliminating inequality in health coverage could raise life expectancy to 73 years.

By increasing access to education, MENA reduced the Gini by close to 5 percentage points in the last 15 years. Extending access further and improving the efficiency of education spending could generate more gains.

Each one percentage point of GDP cut in energy subsidies...

redirected to infrastructure spending has the potential over 6 years to...

Increase GDP by 2 percentage points

1 Create 1/2 million new jobs

Eliminating fuel subsidies could fund a 40% increase in social protection spending to 7% of GDP.

Reducing fragmentation and duplication across social programs and improving targeting can help create space to expand social safety nets.

含政府工资支出，保障社会保障支出

GCC private sector wage GCC public sector wage

Gap Between Average Private and Public Sector Wages

Governments employ 1/5 th of the total workforce

**No.2** Expand social safety nets to protect the most vulnerable

Increase GDP by 2 percentage points

1 Create 1/2 million new jobs

Eliminating fuel subsidies could fund a 40% increase in social protection spending to 7% of GDP.

Reducing fragmentation and duplication across social programs and improving targeting can help create space to expand social safety nets.

含政府工资支出，保障社会保障支出

GCC private sector wage GCC public sector wage

Gap Between Average Private and Public Sector Wages

Governments employ 1/5 th of the total workforce
No.3  Build wider and more equitable tax bases

Make the tax system more progressive
- Levy higher taxes on higher incomes
- Develop property and wealth taxes
- Reduced VAT rates for basic food items

Widen the tax base by reducing exemptions, tax concessions and tax holidays

Strengthen tax administration and compliance to reduce evasion

Simplify tax codes and improve taxpayer services

No.4  Tackle corruption and promote transparency

Combat corruption, strengthen the rule of law and improve the quality of regulation

Consult with citizens on policies and monitor outcomes

Make greater use of technology and data to ensure spending is delivering

Collect and publish more timely and comprehensive fiscal data. This could lead to a reduction in sovereign borrowing costs

Widen the tax base by reducing exemptions, tax concessions and tax holidays

Strengthen tax administration and compliance to reduce evasion

Simplify tax codes and improve taxpayer services

Governance Effectiveness Ranking Higher Score is Better

Standard & Poor’s Rating Lower Score is Better