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SOCIETÀ PER GLI STUDI SUL MEDIO ORIENTE

TITLE: Subsidies versus Cash Transfers: Analyzing Reform Diffusion in the MENA Region

Proponent: MARIE VANNETZEL (CNRS, IREMAM, ANR SUBLIME)

PANEL PRESENTATION

Chair and Introduction: Marie Vannetzel, CNRS, IREMAM

Discussants: Assia Boutaleb, CESSP, Paris 1 Sorbonne ; Myriam Catusse, IFPO, CNRS.

Since the 2011 Arab springs, a powerful discourse, carried by the international financial institutions and domestic regimes, has called for the renewal of 'social pacts' in many MENA countries, and has focused on a particular policy of redistribution: the state provision of universal consumer subsidies. Set up in the 1950s-1960s, they have been persistent until today. Despite past attempts, notably during the 1980-1990s IMF structural adjustment programs, governments have often resisted eliminating subsidies, supposedly for political reasons.

Yet, international institutions took the popular uprisings as a springboard for regional reform, and pressures have been increasing since then (Hanieh 2015; Vannetzel 2019; Thyen & Karadag 2021; Hussein et al. 2022). Consumer subsidies are denounced as unsustainable burdens on state budgets, inefficient safety nets, and a major cause of malnutrition and pollution. The MENA region has been presented as being particularly affected by the "corrosive" scourge of subsidies (WB, 2014; Sdravovich et al., 2014; Verme and Araar, 2017), compared to the rest of the world. While it raises many methodological and normative questions (how to calculate this amount, knowing that what different states label as "subsidies" and account as such varies substantially? In reference to which conceptions of social justice are subsidies considered unfair and regressive?), this framing has the cognitive effect of marking the specificity – and the urgency – of the "subsidy problem" in these countries.

In this panel, we attempt to scrutinize the dissemination of this urge for reform and the generative impacts it has on practices and conceptions of welfare in the region. In a critical approach to the "subsidy problem" doxa, we analyze this dissemination through the concept of "traveling model", as defined by Olivier de Sardan (2018, 4): "a standardized institutional intervention aimed at initiating a given social change, and based on a 'mechanism' and 'devices' supposed to have intrinsic properties capable of inducing this change in different implementation contexts". In this case, it is even possible to speak of a *double traveling model*, as the lifting of subsidies is linked to the parallel implementation of new programs of Conditional Cash Transfers (CCT). Promoted as a 'magic bullet' (Smith et al., 2014; Brooks 2015; Gentilini, 2016), the latter originated in Mexico in 1997, with the flagship program *Progresa*, and quickly expanded to other Latin American countries, then to Asia and Africa (Diaz Debonneville 2013; Diaz 2017) – and only lately in the MENA region (launching of *Takaful and Karama* in Egypt in 2015, creation of *Amen Social* in Tunisia in 2019, scaling up of *Tayssir* in Morocco in 2018 and of the NPTP in Lebanon in 2020, etc.).

Here, we intend to question the oversimplifying nature - and what it obscures -of the double 'subsidies-CCT' traveling model. We argue that envisioning this circulation as a smooth process, supported by the compliant strength of 'best practices' narratives and the conditionalities of donors' loans, is illusory. Traveling models do not always move that easily, and the efficacy of 'magic bullets' can be challenged in numerous ways. In fact, while many MENA countries have embarked on a process of moving away from generalized subsidies, the lifting of subsidies in each setting follows different and non-linear paths at different paces and involves different kinds of policies, institutions, and actors. On the other hand, the assumption that the regimes' fear of revolts or the

lobbying of corporatist groups benefiting from subsidy rents would be the major political obstacles to the circulation of the 'subsidies-CCTs' model needs to be empirically discussed (Abdul Reda, Richter, Schmoll, 2023)

This panel aims to unveil the 'hidden parts of the subsidy iceberg' – the countless social, economic and regulatory arrangements that subsidy systems encapsulate, and which are specific to each country. Two analytical axes are suggested for papers' proposals (English or French):

The first axis explores the historical trajectories of reforms. Which successive sequences of reforms can be identified, and what are the effects of this chain of sequences? How do subsidy systems and new CCT programs integrate into historical settings of entwined welfare, economic, agricultural, industrial, commercial, and technological policies? How do specific political economies shape the conditions of diffusion of the 'subsidies-CCTs' traveling model?

The second axis investigates the grounded contexts of expertise and reform-making. To what extent do experts, decision-makers, and bureaucrats reproduce or modify these models? How do agents of/around subsidy systems act not necessarily to impede change, but to inflect the contours of reforms in certain ways, for specific reasons? Which 'counter-conducts' (Foucault, 2015) emerge from other parts of supply chains or from sociopolitical groups that challenge the reforms?

PAPERS:

Public subsidies, social spending, and trade liberalization in Lebanon: the health sector in focus

Iskandar Boustani, Université Saint-Joseph

Nizar Hariri, chaire AFD/IFPO

Sahar Aurore Saeidnia, IFPO

Since the economic collapse in 2019, Lebanon has consistently faced challenges related to shortages in pharmaceutical products, medical equipment, and hospitalization admissions. Approximately 40% of the resident population now lacks any health coverage, marking a significant increase compared to the pre-crisis level (CAS & ILO 2018-2019; CAS & ILO 2022; PRECAR 2023). Despite ongoing fiscal and monetary subsidies on medicine and medical equipment, an increasing number of individuals are being excluded from accessing basic or primary healthcare services (Laughlin & Saad 2022).

After the financial collapse and the rapid depreciation of the Lebanese Pound (Lira), the subsidies health sector has shifted from a system depending on public spending (through the fiscal budget, annually voted by the Parliament as defined in the public finance laws) to a non-transparent (and, to some extent, arbitrary and chaotic) legal framework (Boustani & al. 2021) mainly relying on monetary subsidies through the self-managed circulars of the central bank.

Monetary subsidies, as executed by the Banque du Liban (BDL) since 2019, have proven to be highly regressive, disproportionately benefiting importers and distributors of pharmaceutical products over end-users (patients and their families) (Arab Reform Initiative 2020). This has led to severe supply shortages, rationing, and black-market transactions, particularly affecting publicly insured populations covered by Lebanese Lira, with coverage rates completely disconnected from the effective medical bills denominated in US dollars, thus undermining what was left from the solidarity-based public spending on social protection (Hariri 2023).

Furthermore, following various waves of neoliberal reforms of the health sector, publicly-managed health institutions have evolved into entities that functioned primarily as clients of various private actors. On top of them: pharma and medical equipment importers and pharmaceutical manufacturers. Strongly organized in syndicates and professional associations, they left the Lebanese state with limited-to-no power in price negotiations, despite being the biggest buyer. The paradox being here that publicly-managed, client institutions (such as NSSF, State cooperatives and mutual funds, public hospitals or even the military hospital) were incurring unsustainable levels of public deficits to buy or cover medical products that were heavily subsidized, especially in the wake of the financial crisis in 2019.

How do the current inadequate social budgeting and counterproductive monetary subsidies on health services and pharmaceutical products in Lebanon correlate with the growing trend of exclusion from healthcare? What are the ongoing MoPH funding schemes of drugs, medication and access to health services?

To comprehend the existing economic and financial challenges within the health sector, along with the socioeconomic implications of healthcare subsidies we will trace the broader consequences of transitioning from fiscal to monetary subsidies amid an unprecedented financial crisis. Furthermore, we will explore the social history of state subsidies in Lebanon and examine how they were incorporated into the liberal process of state constructing during the pre-war era. Equally important is understanding their evolution throughout the war years (1975-1990) and, beyond, their persistent renegotiation in the postwar economy.

To address these historical trajectories of reforms, the paper will rely on a comprehensive and historical desk review and a critical reading of the evolution of public spending, and two contemporary case-studies that will allow to uncover the non-linear paths of subsidies policies in Lebanon, and the different kinds of policies, institutions, and actors they involve: dialysis treatments and psychiatric drugs.

Multilevel expert networks and circulation of ideas in Algeria: A case study of the reform of cereal subsidies

Rym Talhouk, PhD student, Paris 1 Sorbonne, IREMAM

In Algeria, there has been a recurrent discourse emanating from international economists and civil society experts advocating for the overhaul of the subsidy framework, proposing its replacement with a cash transfer system. In contrast to the situations observed in Egypt and Jordan, Algerian policymakers have exhibited a notable reluctance towards effecting substantive reforms within the subsidy system. Interestingly, the Algerian finance law of 2022 evokes the revision of the list of subsidized products, of the categories of families concerned, the eligibility criteria for obtaining this allowance, as well as the methods of monetary transfer. However, the subsequent finance laws of 2023 and 2024 have neither addressed nor incorporated such revisions, with public expenditure demonstrating an upward trajectory. The ambiguity surrounding the reform discourse concerning the subsidy system in Algeria is potentially attributable to the state's grappling with a fundamental paradox. This paradox manifests in the juxtaposition of Algeria's entrenched social protectionist ethos, which has historical roots, with its embrace of free-market principles since the mid-1990s.

This research endeavor's focus lies on scrutinizing both the direct and indirect subsidies prevalent within Algeria's cereal sector. The focal point of analysis lies on the exchange of arguments and expertise among experts from international organizations, local experts, and counterparts from other Arab countries, at the meso level.

At the national level, exstant literature on food subsidies predominantly resides within the domains of economics and agronomy, each discipline employing distinct terminologies such as "food security" for agronomists and "balance of payment equilibrium" for economists. A sociological inquiry into the educational institutions shaping agronomists and cereals sector experts, is pertinent, shedding light on the dynamics of competition and cooperation among them. Similarly, the cereals sector is intricately intertwined with a plethora of national institutions and research centers. Analyzing this complex network of public-private interactions reveals nuances in interests, interactions, and power dynamics.

Moreover, a common pattern of discourse prevails among Algerian economists and agronomists, such as the notion suggesting that subsidies serve to "buy social peace" and legitimacy for the ruling elite, and the absence of reforms often attributed to a lack of political will. Experts also frequently critique decision-makers but abstain from explicit naming, preferring indirect criticism for various reasons.

At the international level, the exchange of arguments and expertise among experts from international organizations, local experts, and counterparts from other Arab countries constitutes a salient phenomenon warranting analytical attention. Indeed, the cross-referencing of Algerian economists with research institutes in neighboring countries, such as Tunisia, and the involvement of Algerian economists in think tanks that draw upon expertise from various Arab nations like the Arab Reform Initiative exemplifies the multifaceted nature of regional circulation of ideas around subsidy reform initiatives.

Tunisie : les temporalités et justifications disjointes de la politisation des subventions aux biens essentiels

Amin Allal, CNRS, CERAPS Lille

Eric Verdeil, CERI, Sciences Po Paris

Depuis le processus révolutionnaire de 2011 et la libéralisation inédite induite en Tunisie, une politisation accrue de la question des subventions aux biens essentiels est notable . S'affrontent, dans plusieurs arènes publiques, des conceptions différentes voire antagonistes sur la nécessité (ou non) de ces réformes. Aujourd'hui, dans un contexte de rétrécissement autoritaire, trois lignes de questionnement nous semblent pertinentes pour comprendre ces débats et enjeux publics.

Une première ligne de questionnement concerne les experts économistes et ingénieurs qui à la fois construisent s'approprient et nuancent la doxa sur la nécessaire réforme des subventions. Cette catégorie d'acteurs partage un double diagnostic. D'une part, celui du risque social et politique qu'une suppression pure et simple représenterait et d'autre part, l'idée du poids budgétaire et de l'inefficacité sociale supposés de ces subventions. Malgré leur spécialisation sectorielle, ces acteurs promeuvent de nouveaux modes ciblés de distribution de ces subventions pour certaines catégories sociales défavorisées. Nous pouvons inscrire ces revendications réformistes dans un horizon d'une dizaine d'années, voire même plus, puisqu'elles étaient déjà

audibles avant la chute de Ben Ali, mais dans des cercles restreints d'experts et de bailleurs, s'inscrivant dans la logique réformiste perçue par ces derniers comme propre à la Tunisie.

Une deuxième ligne d'analyse émerge du côté des milieux « activistes » où se développe un discours critique de la réforme annoncée des subventions. Selon eux, la finalité des subventions n'est pas principalement sociale, à son origine, car elles visaient à permettre l'intégration de la Tunisie dans la division internationale du travail, en réduisant les coûts de main d'œuvre et donc en facilitant le développement de secteurs économiques manufacturiers ou agricoles à la main d'œuvre bon marché. Mais cette orientation aurait été pervertie par l'évolution de la base économique. Ces subventions devraient alors être réorientées vers la constitution de filières économiques permettant à la Tunisie de reconstruire sa souveraineté économique, notamment en matière alimentaire. Par ailleurs, la question du poids des subventions devrait aussi, selon ces acteurs, prendre en compte les recettes fiscales qui alimentent les différents fonds de soutien.

De la confrontation de ces deux discours ressort un double décalage : sur les finalités des subventions, entre objet social et objet politico-économique, ainsi que sur les temporalités. L'argumentation libérale sur la nécessité de la réforme met en avant l'accélération récente du poids des dépenses sociales et la fragilisation des budgets tandis que les activistes soulignent l'ancienneté de recadrages des instruments de subvention, au gré des réformes d'ajustement successives.

Enfin, une troisième ligne d'analyse, qui émerge des discours des deux types d'acteurs rencontrés, concerne l'utilisation politique qui est faite par le Président Kais Saïd de la question de la réforme des subventions, qu'il semble par moment encourager et à d'autres refuser, en se construisant ainsi une posture de souverainiste malgré les difficultés d'approvisionnement que les filières de fourniture de biens essentiels rencontrent.

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SHORT BIO OF PROPONENT

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