United Nations Development Programme

ARAB DEVELOPMENT CHALLENGES REPORT 2011

TOWARDS THE DEVELOPMENTAL STATE IN THE ARAB REGION

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Foreword by the Director of UNDP Regional Centre for Arab States, Cairo

This second Development Challenges Report, coming at a time when the region is passing through a critical historical juncture, attempts to go beyond the numbers to uncover processes that have underpinned mutually reinforcing drivers of social, economic and political exclusion. The report was led by the United Nations Development Programme's (UNDP) Regional Center in Cairo (RCC). Its core team is composed of RCC's Poverty and Governance Practices. The report is the result of fruitful collaboration between the UNDP, International Labour Office (ILO), Food and Agriculture Organization (FAO) and OXFAM as well as leading regional and international experts.

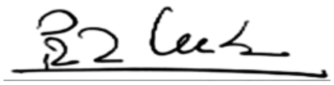
As in the first Development Challenges Report, which was published jointly with the LAS and endorsed by the Arab Economic and Social Development Summit in 2009, this report argues that the development model followed in the Arab region can be placed on a more socially just foundation. It attempts to solve 'riddles' such as whether inequality is low and fairly stable, as the data show, or high and rising as observed by the naked eye. It also aims to determine whether the region is truly devoid of mass poverty or if the wrong yardstick was used to measure it. On both these counts, the report casts doubt on the ability of current data to reflect the reality offers some pointers for more in depth work to close the gap between data and reality.

The report's main conclusion is that in order to respond to the demand for dignity, social justice and freedom, the state needs to adopt a "Developmental state" model that is based on a new social contract of mutual accountability and shed the rentier based political economy model. This would mean that the state becomes more responsive and accountable to the citizen and allow for the citizen to take a more proactive role in societal affairs and break the vicious pattern of dependence on the state that has been the hallmark of the Arab social contract.

The report also argues for redefining the role of the state in the region and its relationship with the market. The Arab street has made clear that it is no longer willing to accept substandard public services and a private sector made up of politically well-connected businessmen who earn huge profits by virtue of political connections, which allow them to avoid taxes and charge non-competitive prices. Rather than considering that there is a dichotomy between the state and the market, the report emphasizes the symbiotic relationship between the two: the state provides the required support for a flourishing, inclusive private sector, which in turn exercises social responsibility by paying taxes and ensures decent working conditions for its workforce.

While capable and accountable states can change a lot through more prudent use of national resources, it is clear that regional economic cooperation is critical for allowing Arab countries to break out of their current patterns of unbalanced development, largely dominated by extractive industries. Stronger economic integration can help create a market of 350 million people. It should ideally involve both private and public investment flows from oil-rich Arab countries to the less developed regions. The region can create structures similar to European Union structural funds that had a crucial role in facilitating the political and economic transformation of Spain and Portugal following their democratic revolutions. The free flow of goods, services, capital and sustainable migration of labour could allow the region to enhance its capacities for food production (particularly high-value crops) and selected niche- manufacturing sectors.

Public debate of what needs to change should lay the foundations for sustaining the momentum of the "Arab Spring." There is no reason for this region not to attain the best developmental outcomes, given its substantial financial, human and natural resources. Even in the current difficult global economic and political context, an Arab resurgence is possible if only the energy of the region's youth is marshalled to turn the region's challenges into opportunities.



Paolo Lembo
OIC UNDP Regional Centre for Arab States, Cairo

Foreword by the Report Task Leader

On 29 March 2007, the Summit of the League of Arab states called for a Special Arab Summit to be exclusively devoted to the discussion of economic, developmental and social issues. The motivation for holding such a specialized Arab Summit was a widely shared consensus view that emphasis on developmental issues could substantially enhance Arab cooperation in a phase dominated by some politically divisive issues. Moreover, there was recognition among Arab policy makers that the region is passing through a critical historical juncture with threats not only to national security, but also to social and economic security.

The first report, commissioned by the LAS Ministerial Committee in preparation for the first-ever Arab Economic and Social Development Summit in January 2009, was jointly prepared by the LAS and UNDP. Entitled Development Challenges in the Arab Region it was divided into two volumes: the first and more comprehensive volume addressed a wide range of social and economic development challenges from a human development perspective; the second focused on the food security challenge per se. Each volume began with a review of development-related stylized facts which set the stage for the identification of the challenges and hence policy directions and options. The report was endorsed by the 2009 Arab Economic and Social Development Summit held in Kuwait and a recommendation was made to issue the report on a regular basis.

Against this backdrop, work began on producing a second Development Challenges Report initially focused on the multiple underpinnings of poverty and unemployment, particularly at their nexus with governance and environmental challenges. With the eruption of the youth uprisings in the region, the focus shifted towards exploring alternative solutions and a range of development policy options to help redress the underlying causes that gave rise to widespread popular grievances and discontent. These grievances were clearly encapsulated in the case of Egypt and Tunisia by the slogan: "Bread, freedom and social justice" – a slogan that underlines the interdependence of inclusive governance and economic and social inclusion.

This report analyses key interlocking development challenges in the Arab region that are the underpinnings of the growing impetus for positive transformative change. It also seeks to provide a menu of options to address the challenges in a manner that paves the way for smooth transitions and transformations that are in direct response to the aspirations of the People of the Arab region toward human dignity. Building on practical experience and knowledge at the global, regional and national levels, this report highlights our understanding of the triggers at the core of the wave of contestations in the region and the means through which Arab countries can transform themselves from rentier to "Developmental" states. To this end, the report presents Arab decision makers with a menu of policy options to move beyond temporary "Band-Aid" solutions and to directly address the development challenges.

Despite the enormity of those challenges, the report is generally optimistic. The authors repeatedly make the case that the main goals of poverty reduction, economic diversification, employment generation and food security are attainable and that social justice and equity, voice and accountability are intrinsic to reaching these goals. This region is well equipped with a large and youthful labour force hungry for decent employment.

It has industrial and agricultural potential, knowledge and expertise and the financial resources to use the most up-to-date technologies to overcome water scarcity problems and raise manufacturing productivity that sustains the natural resource base. It is invested in promoting the region's own scientific and technological innovations and in delivering high quality health, education and social services to everyone. As in the first report, the authors note that the attainment of these development goals hinges to a large extent on a higher level and a more concerted effort of intra-Arab regional cooperation.

Mona Hammam
Report Task Leader and former
Deputy Director UNDP Regional Bureau for Arab States

Acronyms and Abbreviations

AC	Arab Countries
ADI	Arab Democracy Index
AfDB	African Development Bank
AFED	Arab Forum on Environment and Development
AHDR	Arab Human Development Report
ALO	Arab Labour Organization
AMGDR	Arab Millennium Development Goals Report
ANC	Antenatal Care Visits
AOHR	Arab Organization for Human Rights
APRM	African Peer Review Mechanism
ASEAN	Association of Southeast Asian Nations
BNDES	Brazil's National Bank for Economic and Social Development
BRAC	Bangladesh Rural Advancement Committee
CIS	Commonwealth of Independent States
CoV	Coefficient of Variation
CSO	Civil Society Organizations
DHS	Demographic and Health Surveys
DR	Developing Region
EAP	East Asia & Pacific (developing countries only)
ECA	Europe &Central Asia (developing countries only)
ESCWA	Economic and Social Commission for Western Asia
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
GCC	Gulf Cooperation Council
GCF	Gross Capital Formation
GDP	Gross domestic product
GET	Global Employment Trends
GFS	Global Finance Statistics
GNI	Gross National Income
HCE	Household Consumption Expenditures
HDI	Human Development Index
HDR	Human Development Report
HIC	High Income Countries
HIES	Household Income and Expenditure Survey
HPI	Human Poverty Index
ICRC	International Committee of the Red Cross
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization
IMF	International Monetary Fund
IPCC	Inter-Governmental Panel on Climate Change
ITCB	International Textile and Clothing Bureau
LAC	Latin America & Caribbean
LAS	League of Arab States
LDC	Least Developed Countries
LEED	Leadership in Energy and Environmental Design
LICs	Low Income Countries

MD	Multi -Dimensional
MDG	Millennium Development Goals
MERCOSUR	Southern Common Market (Latin America)
MIC	Middle Income Countries
MICS	Multiple Indicator Cluster Survey
MPI	Multi-Dimensional Poverty Index
NGO	Non-Governmental Organization
NPL	National Poverty Line
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OR-HIC	Oil-rich high income countries
OR-LIC	Oil-rich low income countries
OR-MIC	Oil-rich middle income countries
OP-HIC	Oil–poor high income countries
OP-LIC	Oil-poor low income countries
OP-MIC	Oil-poor middle income countries
OLS	Ordinary Least Squares
OPHI	Oxford University Poverty and Human Development Initiative
OPT	Occupied Palestinian Territory
PCBS	Palestinian Central Bureau of Statistics
PCE	Per capita consumption expenditures
PL	Poverty Line
POPs	Persistent organic pollutants
PPP	Purchasing power parity
R&D	Research and Development
RCCE	Recurrent consequences of capital expenditure
RPL	Regression-based poverty line
SAS	South Asia
SFD	Social Fund for Development
SSA	Sub-Saharan Africa
SSR	Self Sufficiency Ratio
SWFs	Sovereign Wealth Funds
UAE	United Arab Emirates
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDESA	United Nations Department of Economic and Social Affairs
UNOCHA	The United Nations Office for the Coordination of Humanitarian Affairs
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNEP	United Nations Environment Programme
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNRWA	United Nations Relief and Works Agency for Palestine Refugees
UNSD	United Nations Statistics Division
USD	United States Dollar
VATs	Value-Added Taxes
WDI	World Development Indicators
WEO	World Economic Outlook
WFP	World Food Programme
WHO	World Health Organization
WHS	World Health Survey
WTO	World Trade Organization

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Overview

Main message: Arab countries need a new development model

The Arab World is facing a historic moment propelled by myriad forces demanding transformative change. A resurgent Arab region is seeking an end to a system marked by the political economy of rentier states and demanding a move towards developmental states with commitment to freedom, social justice and human dignity. From the outset, those in control failed to understand the underlying dynamics that were driving popular discontent, built up over many years in a system characterised by political repression and economic and social inequality. Repressive tactics were employed to silence or contain dissenting voices, but so deep seated was pent up popular opposition towards ruling elites that in response to this repression, large and diverse segments of the Arab populations joined the youth who stood at the movement's vanguard. Consequently, in less than nine months four long standing leaders in Tunisia, Egypt, Libya and Yemen were toppled.

The movement for change that has spread through the socio-political landscape of the Arab region asks for new development pathways that give greater prominence to the interlocking issues of democratic governance, social justice and decent employment. A successful transformation is contingent upon understanding and paying heed to the demands of the Arab street for political, economic and social inclusion. This report takes these demands as its point of departure and strives to offer some options, without being prescriptive, to those who are driving the current change process.

The movement for change that has spread through the socio-political landscape of the Arab region asks for new development pathways that give greater prominence to the interlocking issues of democratic governance, social justice and decent employment.

This report aims to contribute to the present policy debate, particularly in countries in transition, on the future direction of the region's developmental trajectory. Its authors argue for a new Arab development model, where issues of stability are not addressed solely from a security standpoint and above all where progress is not simply viewed in terms of utility of goods and services (such as growth in per capita income), but rather in terms of substantive capabilities to choose a life one has reason to value. The developmental state is capable of transforming the enormous potential and natural resources of the region into an inclusive growth base that respects human rights, reduces poverty, creates decent work opportunities and views social expenditure as a real investment in the future. The Arab world is richer than it is developed. Thus, the main mission of the Arab developmental state is to invest in its citizens. To this end, what is required and is feasible, is an overhaul of current social policies, sound national development plans that emphasize industrial, agricultural and trade policies, increasing labour productivity and prioritization of investment in sectors and projects that guarantee a sustainable economic and environmental base. The implementation of these national development strategies within a broader Arab regional integration framework would also create positive spill-over effects at the national and regional levels.

Rethinking Arab development along these lines requires, in the first place, an in-depth understanding of the historical context that led to the emergence of these waves of popular uprisings. In essence, this context was shaped by the shift to "free" markets after decades of centrally managed economies, a corresponding social contract characterized by weak political participation and by ill fated national development projects. Regrettably, the corruption, which tainted political structures, affected implementation of liberal economic reform programmes, negatively impacting economic structures. Policymaking was marred partially by political interference (internal and external) and rent-seeking behaviour of political and economic elites and partially by lack of a well articulated long-term inclusive development vision. The poor implementation and mismanagement of free market policies squandered the enormous potential of the Arab region for inclusive economic development by denying the majority of Arab society their right to development.

Growth dividends have become increasingly concentrated in the hands of political and economic elites with preferential access to crucial assets and resources. This was accompanied by increasing concern of policy making with the consumption and distribution of rents from these assets and resources rather than with promoting higher value-added production that provides decent jobs and equitable delivery of good-quality basic social services. Predominantly, oil became embedded as the prime commodity forming the backbone of the region's trade and production with its revenues financing luxury goods and services in oil-rich economies.

Growth dividends have become increasingly concentrated in the hands of political and economic elites with preferential access to crucial assets and resources.

Oil-led economic growth has led to premature de-industrialization and reinforced the subordinate position of the Arab region in the global hierarchy of production. The process has been marked by unbalanced development within and between Arab countries that has hindered manufacturing and agricultural sectors and led to anaemic growth of outlying areas. As a result, entire segments of Arab societies have been left out of the growth process as country after country focused attention on growth poles in particular sectors and geographic areas without complementary policies to widen the impact of the undertaken investments. This aggravated sub-national imbalances and increased the rural-urban divide through rent-based accumulation in activities such as tourism, speculative real estate or high-end retail outlets. At the same time, it accelerated the region's reliance on imports for most of its basic necessities. This economic structure is responsible for the failure of the Arab region to generate decent and productive jobs for its people. The rise in international and domestic food prices since 2007 has also placed an overwhelming burden on the well-being of millions of the poor in rural and peri-urban areas. The accumulation of various socio-economic distortions in a country like Egypt, for example, intensified rural poverty since 2000 and increased the gap between rural and urban dwellers, further exacerbating an unsustainable pattern of internal rural-urban migration.

The stylized facts and analyses contained in this report and in the background papers document the extent of socio-economic disparities and demonstrate that the demand for transformative change is fundamentally a reaction by a wide segment of Arab societies to systematic exclusion from the benefits of economic growth and from decisions which affect their lives. This is regrettable in a region that holds enormous development potential and whose leaders had plenty of opportunities to adopt alternative policies that could have responded to their people's aspirations. Weak social, political and administrative accountability mechanisms as well as politically-oriented socioeconomic planning models have further perpetuated structures of neglect (of the people) and produced ostensible stability for elites oblivious to people's social, economic, political, civic and cultural rights. Thus, lack of respect for human rights and suppression of dissent, in a context where social and economic policies favoured quick-fixes rather than long-term development solutions, effectively led to the squandering of development opportunities.

Oil-led economic growth has led to premature de-industrialization and reinforced the subordinate position of the Arab region in the global hierarchy of production.

Furthermore, since ancient times, the people of the Arab region have possessed two features of social capital in more prominent form than in most other societies, namely, a spirit of economic initiative and a highly sustainable level of social cohesion. The failures in some state-led policies adopted by most Arab countries since the 1960s have crippled that entrepreneurial spirit, while Washington Consensus policies undermined social cohesion. Such has been the impact of public policy choices on these two important social assets.

Although the authors refrain from detailed policy prescriptions, they provide several policy directions and insights that address longer term development challenges and issues of democratic transition. The main conclusion, as in the ADCR (2009), is that Arab countries need a new development model. Moving from the prevailing rent-based political economy to a developmental state, however, is possible only through the adoption of political, social and administrative accountability mechanisms that promote inclusive development in both political and economic spheres. Such a shift is contingent upon the design and implementation of a new accountability framework based on the separation of powers that renders operational a functioning system of checks and balances and admits the right to information. Most importantly, the move to a developmental state requires extensive efforts for the proper management of four critical resources, namely: energy, water, agricultural land and human resources. Of the four critical resources, other than finite oil and gas, two are in great abundance and hold significant potential (renewable energy sources and human resources) and two (water and agricultural land) present tough and limiting constraints. This report asserts that in order to re-position the Arab region on a trajectory of equitable and sustainable long-term development, it is imperative to devise remedial policy actions that address major governance failures in the management and utilisation of these critical resources, whether they are scarce or abundant.

Human development and poverty in a wealthy region

This report is anchored in UNDP's human development approach. It views human development and the reduction of human poverty, as ultimate goals of socio-economic policy. As such, progress in the region should be primarily measured in terms of trends in human development and deprivation. Within this pre-analytical conception and based on the most recent data, the report finds that significant progress on human development has been achieved in all Arab countries. Using 1970 as the base year, the region appears to have done very well in terms of absolute changes in human development, as highlighted in the 2010 Global Human Development Report. This is to be expected given the large investments in social services undertaken by most Arab governments and the extremely low starting values for all three components of HDI.

Moving from the prevailing rent-based political economy to a developmental state, however, is possible only through the adoption of political, social and administrative accountability mechanisms that promote inclusive development in political and economic spheres.

However, if we take a later starting point, the improvement loses much of its glitter, with the rate of increase in the HDI shifting to a distinctively slower pace since 1990. Furthermore, the Arab region as a whole and most Arab countries individually show a lower level of human development than one would expect based on their income levels. As human deprivation is a mirror image of human development, it is not surprising that the Human Poverty Index has declined since the 1990s, particularly in oil-rich GCCs. However, it is still higher than expected compared to other developing regions with similar levels of income per capita. It is also worthy to note that both improvements in human development and reductions in human poverty are least notable in Arab LDCs.

The MDGs also present an appropriate framework to monitor development progress. Many countries of the region, while having scored major achievements in education and gender equality, still lag behind on MDG targets related to maternal mortality and access to safe water. Progress has also been slow in under-five nutrition and mortality, adult illiteracy and access to sanitation.

Poverty, whether measured in terms of human capabilities or in money metric terms of income or expenditure, reflects the convergence of social, economic and political exclusions, which is glaring for the majority of the Arab rural population. Indeed, the severity of rural poverty and the large disparities between rural and urban development reviewed in this report are indicative of failed rural development policies. It is sufficient to note that 50% of the Arab population is rural, while agriculture, their primary economic activity, accounts for no more than 15% of Arab GDP.

The Arab region as a whole and most Arab countries individually show a lower level of human development than one would expect based on their income levels.

A different narrative of Arab poverty emerges based on the international poverty line ($1.25 per person per day), which indicates both a very low poverty incidence and a notable decrease since 1990. As argued in the report, this poverty line is too low to allow for any objective comparison of money-metric poverty in Arab countries relative to other developing regions. Thus, the report recommends an alternative methodology that allows poverty lines to vary according to the country's level of income.

Given this alternative measurement approach, which applies daily poverty lines that range from $1.5 to $3.5 depending on the level of expenditure per capita of the concerned country, the main conclusion is that most Arab countries have a lower rate of poverty compared to their level of per capita expenditure. This result is expected given the high level of social cohesion that characterizes most countries of the region, as mentioned above. However, the results also indicate that the Arab region has not been successful in significantly reducing money-metric poverty since 1990. The reason, well known to those who are familiar with the results of national household income and expenditure surveys that were conducted since the 1990s, is that for most Arab countries per capita consumption expenditure did not rise in real terms to allow for any tangible poverty reduction and income distribution did not show any signs of major improvement. This contrasts with substantial increases in per capita GDP over the same period, as reported by national accounts data. In addition, the report shows that the Arab region is most vulnerable to increases in poverty as a result of shocks, such as rising food prices and economic recession.

The prevailing form of the Arab social contract was essentially one where the population exchanged political freedom in return for the provision of certain services, such as state employment, access to public healthcare and education and exemption from or low taxation.

Therefore, it would be safe to conclude that despite some notable progress, the region has generally failed to transform its massive oil-wealth into commensurate improvement in human wellbeing and decrease in human deprivation. Furthermore, the absence of effective social protection mechanisms exacerbates the risk of falling into poverty, as the poor are at the receiving end of economic systems that favour patterns of consumption for the rich, such as investment in luxury and speculative real estate projects, while those sectors that can create decent and more stable employment opportunities languish. Failing to institute and respect mechanisms of participation and accountability, Arab regimes missed many opportunities for course correction and even failed to understand people's aspirations, thus creating conditions that led to popular uprisings.

Rent-based governance relations

The prevailing form of the Arab social contract, was essentially one where the population exchanged political freedom in return for the provision of certain services, such as state employment, access to public healthcare and education and exemption from or low taxation. This social contract came under pressure ever since the 1970s, due to an increasing inability of the state to co-opt the educated youth into what used to be a relatively well paid civil service that acted as a mechanism for upward social mobility. In country after country since 1980, the public sector was no longer able to absorb ever-increasing numbers of graduates produced by the educational system. Furthermore, structural adjustment measures resulted in a decline in the real income of government employees and in government expenditure on social services, coupled with the increasing privatization of such services without guarantees of quantity or quality. This prevailing social contract, understandable in a rent-based political economy, has allowed many Arab states to continue to follow a non-developmental path.

Several Arab countries have appeared stable in terms of longevity of ruling systems and rulers. That stability was based on oppression and suppression of human rights and citizens' aspirations and often shored up by external powers with vested geo-strategic interests, which kept the region's economies dependent on the sale of primary commodities and imports of all critical life-sustaining inputs (e.g. food and intermediate goods). Yet, stability built on patronage and oppression, as opposed to a healthy social contract between the state and citizens, reinforces the drive for quick returns on private sector investments (e.g. real estate) rather than the longer-term and job creating investments required to absorb a more educated labour force. The sense of insecurity created by an acute awareness by the business sector of the potentially explosive social context generated by rising inequality and unemployment further leads to capital flight or to investments in quick return markets that do not produce decent jobs. Capital flight is aggravated by the high share of ill-gotten wealth in many Arab countries, as evidenced by reports that have recently emerged about huge assets owned by former rulers, most of which is held outside the region.

The above-noted features of the prevailing governance structures in the Arab region have led to two mutually reinforcing processes: no public accountability of the state and ever increasing concentration of political and economic power in the hands of a few. Furthermore, the power structure reflects the interlocked interests that concentrate authority within a small circle and prevents rotation of power.

In fact, regardless of whether one agrees or disagrees with neoliberal reforms, they could have been more palatable to Arab citizens had they been accompanied by well-targeted social protection programmes and participation of representative institutions and syndicates in a transparent dialogue between winners and losers of these reform processes. The absence of these institutions further reinforced the rentier character of the state. Concurrently, the deterioration in productive sectors and the proliferation of low value-added services caused an expansion of informal activities and vulnerable employment. Representative institutions and remedial programmes and interventions to alleviate the unintended negative consequences of liberal economic reforms were absent and tax systems were not developed with popular representation in political and legislative decision making bodies that manage public expenditure. Meanwhile, bilateral and global trade agreements severely limited the policy space available to Arab governments and further compounded the structural deficiencies of Arab economies during the reform process. They were thus deprived of the required flexibility to develop sound trade and industrial policies to encourage the establishment of a modern industrial base and grant more market access to small and medium enterprises.

The region managed to reduce the overall unemployment rate from a level of 12% in 1990 to 9.3% by 2010, but the Arab region still holds the highest unemployment rate among developing regions.

Growth without decent employment

The pursuit of oil-led growth has resulted in weak structural foundations in Arab economies. The growth process has been highly volatile, particularly for oil-rich countries, with periods of growth followed by years of stagnation. This volatility, combined with lack of a long term vision to mitigate its impact, has adversely affected long-term productive investment.

These structural features had a significant impact on employment. Over the past two decades the Arab region has recorded the highest growth rate of employment among developing regions. The region managed to reduce the overall unemployment rate from a level of 12% in 1990 to 9.3% by 2010, but the Arab region still holds the highest unemployment rate among developing regions. The decline in unemployment, moreover, can largely be attributed to the substantial decline registered in Algeria. In fact, unemployment rates increased in LDCs (from 8% to 11%) and in the MICs of the Mashreq (from 9.3% to 9.8%). Furthermore, although declining from 30% in the 1990s, youth unemployment stood at 24% in 2009. This is more than double the global average of 11.9%, while the share of youth among unemployed populations was over 50% for most Arab countries.

The decline in unemployment is also somewhat deceptive in that it mainly reflects an increasing willingness to accept any job or simply abandon a futile job search. A systematic expansion of informal employment in Arab countries is also a powerful sign of increased vulnerability and exclusion from decent work. If one takes into account the declining quality of jobs on offer, it is clear that the region has not managed to win the struggle for decent jobs.

Arab women in particular are exposed to unemployment and vulnerable employment. The share of women working in non-agricultural jobs is extremely low. At less than 20%, it is the lowest amongst developing regions. Even Tunisia, which has the highest percentage of women's participation in the non-agricultural activities, lags behind the average for developing regions. What is of greater concern is that this share has remained relatively constant since the 1990s.

The region's incapacity to create decent employment is sometimes attributed to the low quality of education and the mismatch between educational outcomes and market demand. The report argues against this hypothesis by showing that the limited labour demand for educated workers and skills is fundamentally a demand-side problem that is closely associated with the structure of output growth and investment. From this perspective, unsatisfactory labour market outcomes are primarily due to unfavourable macroeconomic conditions that inhibit investment in fixed capital and productivity growth, accompanied by inadequate growth of labour income. Indeed the relatively low investment ratio of the region (average 20% of GDP) compared to 35% in East Asia is indicative of this structural deficit.

Sustainable use of environmental resources is perhaps the most serious long-term development challenge facing the Arab region.

The Arab region faces a major job creation challenge. Non-GCC Arab countries have to create ninety two million jobs by 2030 in order to reach full employment and raise women's labour force participation rate to 35% (which is still 15 percentage points below the average for developing regions) at an estimated bill of $4.4 trillion (in constant 2005 prices). This implies an average annual investment bill of $220 billion, which is approximately 50% of the GDP of these countries in 2009. The required rate of investment is substantially higher for LDCs at around 100% of GDP, clearly requiring substantial external support for its realization.

To address the employment challenge Arab countries would need to adopt more accommodating macroeconomic and sectoral policies. This report argues that, despite the global recession, domestic fiscal space is available in most countries for financing the required development transformation. The focus of Arab macroeconomic policy therefore need not be on fiscal prudence or adequacy but on making sure the fiscal space is used to deal with pressing bottlenecks to expansion of economic activities. This scenario raises the question: fiscal space for what? The foremost priority is to use public investment to facilitate economic activity in those formal sectors with high potential for decent work. This would contribute to the competitiveness of Arab economies and encourage more investment in the productive sectors so that the demographic opportunity, currently present in the high share of working-age population, is translated into real growth.

Natural resources: a serious threat or an opportunity for development?

Sustainable use of environmental resources is perhaps the most serious long-term development challenge facing the Arab region, which, according to the most recent ILO and FAO data, employs one-third of its labour force in agriculture and imports more than two-thirds of its food needs. In all Arab countries, with the exception of Iraq, Sudan and Lebanon, the per capita share of renewable water resources falls below the international water poverty line (one thousand cubic metres annually). In Yemen, the per capita share of water has actually reached 100 cubic metres annually, a tenth of the international water poverty line.

Various studies have shown that the region is one of the most severely affected by global climate change as increasing episodes of drought will almost certainly have a direct negative impact on poverty and internal migration. A good case in point is Syria from 2004 to 2009. In addition to the poverty impact, successive droughts, as well as other driving forces, have resulted in waves of internal migration that added significant pressure on the already deteriorating public services in Damascus and its outskirts.[1] Global food price hikes also have a major impact on poverty in Arab countries. The Arab LDCs are undoubtedly the most vulnerable to food price hikes, given the higher share of food in their basket of consumption and the weak coverage of social safety nets and food subsidies. When rising food prices are combined with climate change, systemic environmental degradation and conflict, the result is certain to be catastrophic, as the recent chapter in the history of Somalia's famine has proven.

The oil curse is at the origin of the Arab rentier state's autocracy, technological backwardness and economic fragility and social injustice. The Arab region has managed to squander its considerable oil wealth with unsustainable patterns of production, pricing and consumption that have created some of the highest levels of energy intensity per dollar of GDP in the World. It has also hindered any serious scientific research endeavour in renewable energy and in some countries like Yemen it has led to rapid depletion of under-ground water resources. Sadly, the bulk of increasingly scarce water resources in Yemen were directed to the production of 'qat', a popular narcotic plant. Thus the mismanagement of natural resources in Arab countries provides the strongest example of compounded failures in governance and economic policy.

To make matters worse, despite the accumulation of evidence on the seemingly intractable nature of unemployment, poverty and inequality in recent years, there was no serious attempt by the governing elite to address the underlying factors that impeded progress on these fronts. Political institutions failed to understand the need to establish a broad-based and empowered process of development planning with strong monitoring and evaluation of development results and to create a strict system of accountability to effectively address poverty and social injustice. Instead, the dialogue within development circles focused on poverty as a technical problem. The proposed technical solutions did little to address the governance and political economy failures that lie at the heart of the problem. Even at the technical level, poverty alleviation interventions such as cash transfer programmes, which have been successfully applied in many parts of the world, failed to impact poverty as they were conceptualized and implemented in isolation from a broader framework of pro-poor macroeconomic policies. Hence, economic policy continued to impoverish entire population groups despite a myriad of social safety net programmes reaching millions of beneficiaries.

To address the employment challenge Arab countries would need to adopt more accommodating macroeconomic and sectoral policies.

Despite the enormity of food security and water scarcity challenges and a strong nexus between poverty and poor management of natural resources, Arab governments have shown indifference to the environmental challenge and the deterioration of natural resources in the region. The region is marked by limited investment in the management of water resources and improvement of irrigation and agricultural productivity.

A more effective mix of policies that develops incentives for investment in renewable energy and achieves a gradual transformation in pricing of oil and fresh water resources is a prerequisite for improvements in efficiency of resource use. As emphasized earlier, this policy shift should be undertaken under the umbrella of a new social contract based on dialogue between the state and representative institutions. The Arab developmental state can become a leading global pole for research, development and production of renewable energy. The adoption of new irrigation technologies, for example, is necessary for structural change in the pattern and efficiency of agricultural production that could fill a large part of the Arab food insufficiency problem and contribute significantly to alleviating the severity of rural poverty. Only a new developmental state that upholds good governance of natural resources invests in rural areas, agricultural production and in scientific research can transform the enormous environmental challenge into a historic opportunity.

Arab integration: a need for all, not a favour from some

It is self-evident that Arab countries, whether rich or poor, can all benefit from regional integration, given their cultural amalgamation and complementarities of resource endowments. It is equally true that they wasted innumerable opportunities to improve development outcomes because they lack economic and political integration. One example is the loss of US$300 billion of Arab wealth in the blink of an eye[2] during the global financial crisis of

2008, equivalent to one and a half times the annual investment required to address Arab unemployment from 2010 to 2030, without any consequences. Yet advocating for Arab integration based on obsolete, dogmatic and often politicized slogans that resort to emotional rather than evidence-based arguments does more harm than good to the cause of Arab unity. In all areas, be they social, political or economic, a national developmental state that is regionally integrated will preserve its national security more effectively than a rentier state that is economically and politically dependent on the interplay of geopolitical forces controlled by countries outside the region.

A number of critical challenges need to be addressed, notably creation of decent work opportunities for youth and genuine improvement in democratic governance.

Not surprisingly, the ability of Arab countries to defend their national interests against contending foreign interests has dwindled as Arab governments have become increasingly constrained in exercising sovereignty over many economic and political decisions. Logic dictates that if any country is to surrender part of its decision making autonomy, it had better do so in favour of a supranational entity that represents the common interests of a unified group, such as in the case of the European Union, instead of relinquishing it to foreign powers whose interests are often radically opposed to national interests.

The road ahead: what should be done now and how?

The relationship between circles of political, economic, social and environmental exclusion and regional marginalization has created a complex and explosive reality. This can be remedied by radical changes, in order to build a critical number of regionally integrated developmental states that put people at the core of the development process. Such structural transformations do not and cannot take place overnight. Time is needed for stable, constitutional and popular governments to emerge and for policy objectives to be properly designed and planned. Furthermore and due to the well known institutional constraints and political realities facing Arab governments in transition, design of long-term socio-economic plans in particular would require substantial preparations to ensure that people's aspirations are translated into socially and environmentally feasible development interventions with negotiated agreement on trade-offs between the winners and losers of particular policies and programmes.

It is self-evident that Arab countries, whether rich or poor, can all benefit from regional integration, given their cultural amalgamation and complementarities of resource endowments

The high expectations produced by Arab revolutions make it imperative for Arab Governments and their civil society and international partners to swiftly move towards meeting number of critical challenges, notably creation of decent work opportunities for youth and genuine improvement in democratic governance. Thus, it is necessary to start with pragmatic measures to reach the minimum acceptable level of employment and growth that will provide a stable economic environment in order to enable democratic transition and sustainable, longer-term development. Failure to do so risks causing significant economic losses that might erode much of what has been gained in the political arena.

Therefore, priority should be given to a package of measures that are attainable within the current regulatory and public administration systems to respond to the demands of the Arab people. A successful transformation toward the developmental state is more likely if in the immediate term the focus is on a limited number of key institutions that affect the relationship between the state and society. Economic issues, which have been central to the Arab uprisings, are trailing behind the political issues in the post-revolution public discourse between the state, civil society and the International community, thus potentially risking the erosion of popular support for democratic transition if they are not properly addressed. Of principal concern during the transition is to address the immediate fiscal and monetary policy challenges that inevitably arise in periods of instability. In particular, there is need for a careful and imaginative assessment of available fiscal space to finance the rising claims on current expenditure, such as demands for raising wages and salaries in Egypt and innovative schemes for creating youth employment.

Economic policy

Public finances that are based on taxation without representation, as has been the case in most Arab countries, are clearly no longer tenable. Hence, efforts to revamp fiscal space by examining issues such as sustainability of public debt and public investment should be complemented by strong monitoring and evaluation of the impact of fiscal policy on development results (including the thorny issue of food and fuel subsidies) and wider representation in formulation of fiscal policy.

Similar to fiscal policy, monetary and exchange rate policies occupied a pivotal role in the functioning of the Arab rentier political economy. Sometimes exchange rates were undervalued to benefit large exporters, who were often part of or connected to the ruling elites, without concern about the detrimental impact of the resultant higher prices of imported foods on poor and low income families. Other times, often in line with restrictive prescriptions to target inflation handed down by the IMF, exchange rates were overvalued to suit the interests of importers, who also had close ties to these elites, with utter disregard of the impact on investment in the productive sector and on competitiveness of local producers in global markets. Monetary policy and operations of the financial sector have also been slanted towards providing cheap credit to the politically well-connected while small and medium enterprises that are responsible for most jobs are deprived of access to formal credit.

Public finances that are based on taxation without representation, as has been the case in most Arab countries, are clearly no longer tenable.

What is needed is a thorough analysis of monetary policy and mechanisms that determine exchange and interest rates and norms for credit operations of banks that aim to support productive sectors and firms, particularly small and medium enterprises. This, in turn, would mandate a number of measures that include raising the velocity of circulation by targeting higher credit to GDP ratios and applying monetary and exchange rate policy frameworks that are friendly toward employment and human-development.

Breaking the vicious cycle of economic and social exclusion is contingent upon putting in place mechanisms for financing employment-intensive industrial, agricultural and service sectors. This can be achieved by providing preferential interest rates to strategic sectors, public and private loan guarantee facilities and lowering the required reserve ratio for banks that target small and medium enterprises, particularly in rural areas. Furthermore, to strengthen the developmental role of the financial system and to reduce the cost of borrowing it will be necessary to better manage liquidity and supply of money in such a way that increases the banking sectors' return on equity. These changes should parallel swift and effective attempts to reduce systemic risks, while taking all necessary steps to deal with large-scale defaults that are expected in the context of the current post-revolutionary economic recession.

Most Arab countries also suffer from weak and politicized business environments that impede long-term private investment. An improvement in this area, however, requires much time and effort at the macro, institutional and sectoral levels. A key priority remains the evaluation of competitiveness indicators and measures that can be easily implemented by existing institutions, such as cancellation of all decisions that impede the immediate establishment of new businesses or expansion of existing ones, particularly in labour absorbing, competitive sectors. Likewise, revisiting the minimum capital required to form a company and streamlining registration procedures would tremendously improve the business climate. An immediate improvement in trade facilitation and support services (customs, borders, transportation, finance, etc.) can be easily achieved by cancelling all unnecessary procedures and obstacles that often provide a breeding ground for corruption and friction between the people and those employed in public administration.

The economic and social exclusion of youth, exemplified in their lack of access to decent jobs, in addition to their marginalization from the political sphere, is the source of much of the tension witnessed in the region. Indeed, while the unemployment rate is declining, the bulk of jobs generated is in low productivity activities in the informal sector.

Unemployment is a serious problem in the Arab region, which reports the lowest labour force participation rate in the world. Interventions that contribute to reducing unemployment by increasing decent job opportunities in the formal sector are urgently needed for a successful democratic transition. The report suggests two immediate interventions: on the one hand it proposes a more in-depth understanding of labour market dynamics with a view to reducing supply and demand side bottlenecks that impede attempts to create and access jobs. On the other hand, it recommends imaginative use of public procurement processes to increase demand for locally produced goods. This can be accomplished by insisting on the use of equipment and supplies that are produced by local firms at competitive prices and offering public sector salary increases in the form of vouchers to be used to purchase a certain range of locally produced goods with high labour content.

These interventions will make a significant contribution to reducing frictional unemployment and boost demand for local producers who are adversely affected by post- revolutionary recessions. In addition to working on macroeconomic policies to increase the demand for labour by increasing the investment to GDP ratio and other demand-side interventions, a series of measures on the supply side can be taken to improve the efficiency of the labour market. They include revising labour laws to ensure worker's rights, encouraging formal and regulating informal employment, creating demand-oriented training programmes and extending social protection to all workers.

In order to prevent further deterioration of inequality, there is urgent need for measures such as effective application of progressive taxation, especially income, property and capital gains taxes.

These steps should counter the expansion of informal and unprotected work which plays a huge role in the formation of circles of social exclusion and poverty in Arab countries. As the majority of workers excluded from social security are self-employed in agriculture and in informal SMEs, extending coverage to the two groups makes perfect sense. Furthermore, given the analysis of fiscal space in this report, the cost of extending such coverage is not outside the reach of the majority of middle and low income countries in the region.

Income redistribution and social justice

The region is characterized by income and wealth inequalities that are not reflected in Gini coefficients. In order to prevent further deterioration of inequality, there is urgent need for measures such as effective application of progressive taxation, especially income, property and capital gains taxes. The state can also set minimum wages and social security stabilizers in social protection systems and public expenditure policies. However, the majority of Arab countries for which detailed functional budget breakdowns are available already spend upwards of 5% of their GDP on social protection, inclusive of energy and food subsidies. This means that the region faces a stark choice between either continuing with the current trend of rising, inefficient and poorly targeted subsidies or creating the required space to fully respond to popular demands for public investment in social capital, productive sectors and physical infrastructure. The issue is imperative, particularly for countries facing major infrastructure deficits. This increases the urgency of revisiting the question of fiscal space, particularly in middle-income countries in transition, such as Egypt and Tunisia.

Infrastructure

The weak infrastructure in Arab countries imposes high transaction costs on economic activity, lowers the return on investment and blocks access of the poor and rural dwellers to basic modern amenities. For example, power cuts in rural areas prevent children from studying at night and clinics from servicing patients. Because investment in infrastructure is the most important determinant of successful transformative change in Arab societies and in their economies, Arab governments should focus during the next two years on enlarging the fiscal space available for investment in infrastructure and prioritize these investments with a focus on improving the access to economic opportunities for poor rural dwellers.

In middle and low income countries, limited financial resources and institutional capacity might prevent rapid implementation of infrastructural projects in an efficient and transparent manner. Hence, it is advisable to come up with a plan to increase fiscal space and expand institutional capacity in the medium term. In the immediate term there is need for a quick assessment of the social and economic benefits of potentially large infrastructural projects and embarking on an open and transparent debate to decide on the most beneficial and viable projects. While building up the capacity of public institutions for effective management of development projects, innovative project implementation modalities, including community management of some smaller projects and public-private partnerships for projects with quick financial payback should be explored.

Priorities for poverty reduction and inclusive development

The process of poverty reduction during the transition period must by necessity focus on reducing sub-national disparities through geographically-targeted programmes. Such interventions can be implemented through use of existing poverty mapping exercises. Governments and their civil society and international partners should collaborate to design and implement such programmes with components for public works, micro finance, small business support, training and expansion of social services networks, especially those that target women, including the provision of health services, school feeding, as well as child health programmes.

The process of poverty reduction during the transition period must by necessity focus on reducing sub-national disparities.

It is worth noting that slums have been the scene of social and political tensions that preceded the Arab Spring. In fact, it may be argued that the deteriorating conditions of Arab cities were catalysts of political activism that pushed for greater social justice. Improving the conditions of neglected and decaying urban and peri-urban areas provides a tremendous opportunity for employment and social inclusion. Therefore, one possible immediate relief measure to be adopted by countries in democratic transition is to design public works employment programmes that improve living conditions in areas of informal housing and urban decay. Such programmes may include affordable social housing and improved basic services including pre-schooling and community care for the elderly and the handicapped. In fact, the immediate development of health, education and vocational training service centres can be expected to create new employment opportunities for university and high school graduates in their localities.

To ensure the success of these programmes, additional financial resources would be required to fund individual and collective small projects that service decaying areas and their hinterlands. It is further necessary to empower elected local governments by giving them human power, financial resources, training and the capacity to build and expand the domain of local decision making.

In addition, small and medium sized towns must be viewed as pivotal areas in regional development networks and a base for integrating agricultural, commercial, industrial, tourist and service activities. This requires understanding the socio-economic and demographic dynamics and characteristics of these cities so that pressing interventions are identified in cooperation with civil society and implemented by elected local councils. Furthermore, rural development is dependent on links between small and medium cities and their rural hinterlands and should lay the foundation for regionally balanced development.

For a social justice agenda, national development policy priorities should focus on expanding opportunities to engage in viable agricultural and non-agricultural economic activities as a means of confronting soil and water degradation and rising rates of unemployment and poverty (such as in the case of Egypt from 2000 to 2009). It is evident that the current conditions in rural areas of the Arab region require broad structural changes that aim to achieve comprehensive rural development based on a more diversified set of economic activities. Consequently, it is critical to immediately identify the causes of persistently high rates of poverty in the most deprived areas of the countryside. It is also necessary to make available the required financial and technical resources to support the diversification of the rural economy by increasing productivity of small farms and improving access to markets and credit on reasonable terms. These interventions should increase employment opportunities in the agricultural and non-agricultural base of rural economy and at least initially slow down the process of rural-to-urban migration, laying the foundations for an eventual more geographically balanced development.

One main underlying cause of poor development outcomes has been the lack of effective mechanisms by which the people could hold those in power accountable for their actions and demand course correction when policies had adverse impacts.

Given the limited scope for increasing agricultural production by expanding the area under cultivation in most Arab countries, with the notable exception of Sudan, public investments should aim to increase productivity of the limited stock of arable land, by initially focusing on better diffusion of existing knowhow on improved production methods and rendering the appropriate inputs more accessible. In this context, there is clearly a need to revisit the way in which current food subsidy programmes work to render them more effective in promoting production and generating greater and more stable incomes for the rural population, rather than subsidizing producers in foreign countries and urban consumers locally.

Diversifying economic activities in rural areas and slowing down rural exodus also requires improving social services. This must be based on the principal of regarding these services as a right, a matter that necessitates the provision of decent education and health services to the poorest geographic regions. This will not only have a direct impact on employment in these areas but will also grant access to essential services to the poorest of the poor among rural populations, especially small peasants.

The above noted measures cannot possibly be successful in the absence of an accountable and capable state. Experience with past attempts at socially inclusive development highlights the importance of improving the capacity of public institutions to effectively perform their functions by providing the public sector with the requisite human and physical resources and infrastructure. The timely and cost-effective implementation of publicly funded infrastructure and service development projects would also require, as highlighted earlier, an efficient and transparent system of management of public funds and public investments.

Given the critical nature of water scarcity in most Arab countries, state interventions and state-backed public projects are needed to improve water management with a focus on promoting efficient irrigation technology, establishing water user associations and joint use of underground resources and enacting more rational water pricing policies. Beyond simply creating jobs, the programme of public works advocated in this report can be made more beneficial if the interventions respond to critical impediments to sustainable development in the region.

Institution building and democratic governance

Despite the fact that poverty and unemployment are amongst the most important factors underlying the popular uprisings, it should not be forgotten that such poor outcomes on the economic front are largely the result of governance failures. One main underlying cause of poor development outcomes has been the lack of effective mechanisms by which the people could hold those in power accountable for their actions and demand course correction when policies had adverse impacts. It is therefore critical that all countries going through processes of democratic transition ensure that citizens can hold their representatives to account through freely participating in setting policy and overseeing the implementation of agreed measures. This can only be achieved if irreversible measures that expand the scope of popular participation in how public assets are used are adopted and if existing Arab social relations of power are changed. These measures must include reforms to enshrine a prime role for civil society and local governments as active and indispensible partners in the developmental state. Above all, the independence, integrity and efficiency of the judiciary must be safeguarded, not only for the sake of the intrinsic value of a just system, but also as a critical factor for promoting long term productive investment. This can be done by creating conditions that can guarantee impartial enforcement of contracts and offer redress in cases of arbitrary action by the state or politically well-connected elites.

As the political transition in country after country gets under way, the uncertainties surrounding the role of the state and poor track record of the state in implementing development interventions, limit use of traditional mechanisms to implement the needed public interventions. Elected local authorities, as well as civil society actors must thus carry an added responsibility in the management, implementation and monitoring of critical immediate development interventions such as imaginative public works programmes. This requires urgent enabling measures (such as reviewing laws organizing the workings of CSOs) to reinforce their developmental role without circumventing their traditional social functions, by enabling them to implement and oversee public projects, including the management of small scale ventures in rural and urban areas.

Institutional weakness constitutes one of the most important causes of socio-economic and political exclusion in the Arab region.

The traditional top-down approach of governments in the region has also deprived Arab citizens of effective and accountable local administrations that can act as important channels of popular vigilance of state action by holding the authorities accountable. Therefore, it is imperative to reconsider legislation governing local administration, particularly that which relates to the formation of local councils with free elections that are supervised by impartial election management bodies and to the building of administrative, executive and financial capacities of local authorities to implement developmental interventions in an accountable manner. This implies some degree of decentralization that enables local authorities to mobilize resources and improve their managerial, planning and monitoring and evaluation capabilities.

Institutional weakness constitutes one of the most important causes of socio-economic and political exclusion in the Arab region. The weakness of institutions responsible for providing essential public services such as social security, health and education is a major cause of larger and cumulative development failures in terms of equitable access to opportunities for socio-economic development. However, institutional reform is an inherently long-term process that requires, first and foremost, executive authorities to be selected based on merit rather than loyalty. Therefore, there is a dire need for actions that signal permanent reform in the governance of public institutions. In this respect, there are key institutions that should be given priority in the immediate term. Their selection must, of course, be based on the extent of their impact on development results at the national level. Typically, these institutions would include taxation and customs authorities, central and public banks, development funds, in addition to audit authorities and anti-corruption and human rights protection agencies. Furthermore, it is important to revise the legal codes governing the civil service to ensure their professionalism and responsiveness to the demands of the public.

A successful transition is predicated on the effective role of the judiciary in public life. In the short run, certain measures can be undertaken to reform the judiciary system, especially with regard to its capacity to adjudicate economic disputes and litigate for collective public interest of the poor and marginalized whose social and economic rights are often violated without redress. Measures of immediate urgency in this respect include abandoning any overlap between executive and judicial authorities, securing the independence and integrity of the judiciary and the establishment of centres for dispute settlement and arbitration and specialized courts. It is well known that long litigation is an important source of corruption of the judiciary in many Arab countries. Therefore, it is necessary to increase the number of judges and administrators and to automate court work. One issue undermining law and the judiciary in Arab countries is the contradiction between laws and legal codes, which creates many ambiguities that open opportunities for arbitrary action by law-enforcement agencies.

Conclusion

To sum up, the developmental state entails hard choices that only a legitimately elected, responsive and accountable government can make. No policy pleases everyone all the time. Hence, managing social conflict around hard choices is important for the credibility and sustainability of the developmental state. Inclusive participation in social and political institutions that mobilize and articulate collective interests (be they political parties, labour unions and professional associations, or civil society advocacy groups) ultimately enhances the ability of states to manage social conflict.

The transformation process of Arab states is contingent upon uprooting the political economy of exclusion and its oppressive security and stability model. Five key interrelated governance deficits provide some lessons on what to do and what to avoid to ensure a successful transformation. 1) The state has to aim for real reform, not just a façade, to build a basis for legitimacy, effectiveness and stability. 2) There is need for a strong constituency for social justice and accountable governance. 3) Combating corruption, which is a serious symptom of governance deficit and a catalyst of popular anger, requires the combined efforts of judicial, administrative, political and social institutions. 4) The new democratic process should be strengthened by freedom of information (especially budget openness) and guarantees that civilians will monitor and oversee security and police services and judicial independence. 5) Transformative efforts have to begin with reforming local governance in order to guarantee equitable development and accountability and responsiveness of authority to popular demands. The ongoing Arab resurgence has demonstrated that curtailing participation in the name of security or stability has not made oppressive regimes resilient. Clearly, the only guarantee of increased stability and inclusion in the future is sustained popular engagement in the political process throughout the political cycle as opposed to interludes of political enthusiasm during elections. [3]

A successful transition is predicated on the effective role of the judiciary in public life.

Following the approach of the first Arab Development Challenges Report, which was jointly produced with the LAS and endorsed by Arab leaders, what is proposed here is not meant as a comprehensive solution to the economic, social and institutional challenges in Arab countries. This report merely intends to provide a flexible menu of policy options that take into account the specific needs, capabilities and available resources of the region. At the same time, this report can become an effective tool for engaging in policy debates at the national level that deal with necessary measures to ensure that development and economic activities continue at an acceptable pace in the period of transition and to enact immediate reforms that would pave the way for long-term development planning.

It is also important to note that this is but the tip of the iceberg of what is required by Arab leaderships in this difficult transitional stage. Their efforts will determine if the region will regress, as some forces desire, to rent and dependency or progress towards a developmental state that breaks the destructive convergence between the vicious cycles of political marginalization, economic and social exclusion, environmental degradation and regional disintegration.

Finally, while every country in the Arab region is affected, whether directly or indirectly, at the margins or at the core, by this seeming tidal wave of youth-led popular uprisings, it is essential to bear in mind that the extent and impact of the development failures underlying this rising tide, as well as the means and measures either taken or to be taken to redress them, will differ from country to country. It is also crucial to note that the course, the dynamics and the outcomes of transformative change processes will vary, sometimes considerably. Therefore, our regional generalizations need to be validated by and appropriately tailored and calibrated to, the specificities, fluidities and dynamics in each country context. In this light, this report should be regarded as a "living document."

1 Scope and Methodology

This second Arab Development Challenges Report responds to the recommendation of the 2009 Kuwait Arab Economic and Social Development Summit for regular issuance of reports on development challenges faced by the region. In this light, it offers some alternatives that an awakened Arab region can explore for bringing about economically, socially and environmentally sustainable development. As its precursor, this report challenges accepted dogmas and offers hope that a different outcome is possible. It offers avenues to channel young people's potential and energy into productive activities thus reinforcing nascent democracies by providing the required productive base that can withstand the vagaries of a volatile global market.

This report takes into account a radically changed Arab political context, by addressing those key interlocking developmental challenges that are at the base of the growing impetus for positive transformative change. Our understanding is that underlying the rising tide of popular demands for democratic change are major development failures, especially the deficits in governance, freedoms and social justice and, particularly, at their nexus with macroeconomic policies (through their impact on growth, inequality, poverty and unemployment) and the environment– in essence, failures in promoting and protecting human and national dignity. As the Economist Magazine put it "among the many reasons for the Arab Spring was a sense that paternalistic autocracies are no way to run well-educated, Twitter-using societies". [4]

Appreciating the prerequisites of human development calls for a revisiting of development strategies in almost all Arab countries. Such a process requires a fresh look at development stylized facts. While numbers can be misleading and should be treated with great caution, there has to be a general understanding of the order of magnitude of the different problems. To this end, the report contributes to an analysis of the current status of key variables of socio-economic development and their evolution and assesses the evolution over time of human and income poverty, as well as factors that can explain this evolution using a cross-country empirical approach. This is, however, supplemented by case studies commissioned for this report that take into account national contexts and sub-national specificities.

The report attempts to analyze facts in order to answer the following five sets of questions:

1. *What is the state of human development and progress towards reduction of money metric poverty and human deprivation relative to other developing regions?*
2. *What are the main features of long term Arab economic growth and what are its main drivers? Has the region undergone any positive structural transformation? What are the main features of the Arab labour market? What is the order of magnitude of the employment challenge? Is there fiscal space to address Arab structural economic deficits? If so, through which channels?*
3. *What are the characteristics of the food security challenge in Arab countries? What are the most likely implications of climate change? Can 'green' policies be a panacea for Arab development?*
4. *How do Arab governance systems and institutional structures impede Arab human and economic development? How can governance systems be made more development friendly?*
5. *What are the main features of a new Arab social contract and a new development model? What are the most pressing issues to respond to now?*

These questions are answered within the framework of the contestation movement that has spread throughout the Arab region, to reclaim human and national dignity, social justice and freedom. On issues related to social and economic policy, the report follows the analytical approach offered in the first Arab Development Challenges Report and in six notes commissioned by the United Nations Department of Economic and Social Affairs (DESA) [5] and UNDP, in major and interconnected areas relevant to the formulation of national development strategies: macroeconomic and growth policy, trade policy, investment and technology policy, financing development, social policy and state-owned enterprise reform. In particular, this report and its predecessor owe a significant intellectual debt to two leading development economists: Lance Taylor and Terry McKinley.

With regard to data and information included in this report, several sources were used, including international sources such as the United Nations Statistics Division (UNSD) and other UN organizations that collect data on poverty, employment and the Millennium Development Goals. Statistics included in this report were also extracted from regional United Nations bodies that work in the Arab region along with official national statistics. It should be noted here that the data available at national, regional and international levels are characterized by many gaps and inconsistencies. With respect to the calculation of regional and sub-regional averages, the report followed the guidelines provided by the UN statistical division for the calculation of all relevant indices. Estimates for regional and sub-regional averages were produced and presented only if data were available for at least 50% of the relevant indicator or if at least 50% of the total population of Arab countries was covered.

For a systematic analysis of development achievement in the region, the report adopts two main classification schemes depending on the suitability to the thematic area under investigation. Thus, sections on human development, poverty, employment and governance adopted the classification used by the Arab MDG Report (LAS and UN, 2010), which groups Arab countries into four groups: GCC (Saudi Arabia, Bahrain, Kuwait, Qatar, Oman and UAE); Mashreq (Egypt, Jordan, Iraq, Syria, Lebanon and OPT); Maghreb (Morocco, Algeria, Tunisia and Libya) and LDCs (Sudan, Yemen, Djibouti, Somalia, Comoros and Mauritania). The sections on fiscal space and structural transformation distinguish between a smaller group of Arab countries according to the economic contribution of the oil and gas sector as follows: oil-rich countries (Bahrain, Kuwait, Libya, Oman, Qatar, Saudi Arabia, UAE, Algeria, Sudan [6] and Yemen) and oil-poor countries (Djibouti, Egypt, Jordan, Lebanon, Morocco, Syria and Tunisia).

Finally, the reader should be alerted up front that this report will not be dealing extensively with special case or conflict countries, particularly Palestine, Somalia and Iraq. This is not to underestimate the impact of conflict on human development. To the contrary, we believe the issue is too important to be handled superficially and warrants special attention beyond the scope of this report.

2 Arab Development Challenges

Human Development and Human Poverty

Human development gains, but HDI still low compared to income per capita

Using 1970 as the base year, the region appears to have done well in human development, as highlighted in the 2010 Global Human Development Report. This is to be expected, given the large investments in social services undertaken by most Arab governments since the 1970s and the extremely low starting values for all three components of HDI. While this is an achievement of which the region has reason to be proud, regrettably, the rate of progress on human development slowed down noticeably since 1990. This is clearly demonstrated in Table 1. The magnitude of this progress could have been greater had the region adopted more effective policies for translating its material wealth into human welfare. This inefficiency manifests itself clearly when one compares performance on income per capita with changes in human development across countries.

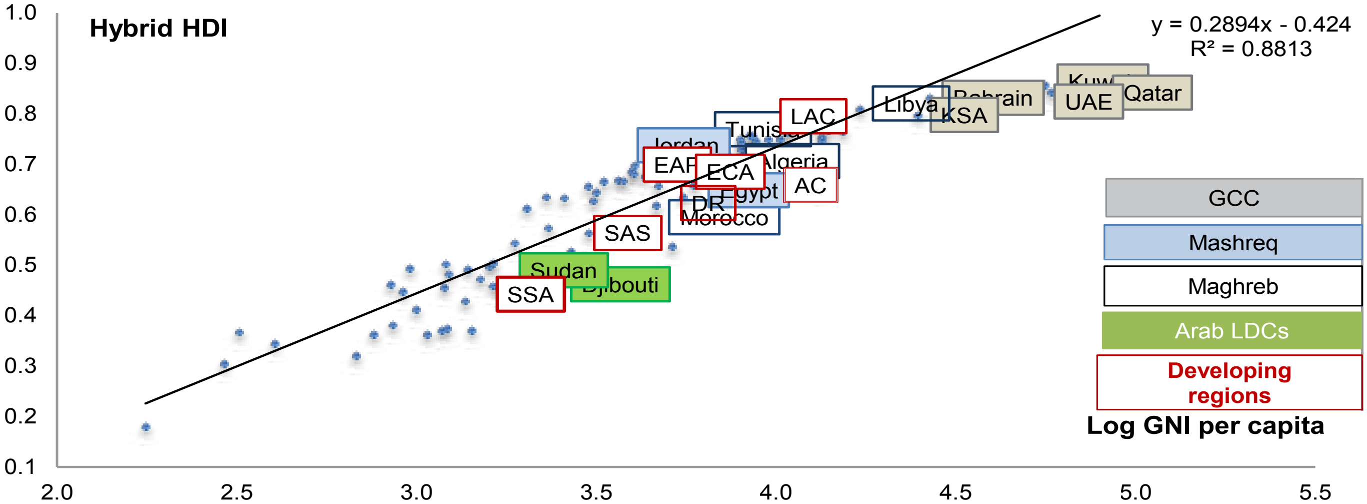
Table 1: Ranking of Arab countries in terms of change in HDI, 1970–2010 and 1990-2010

HDI improvement Rank	Country Name	Non- Income HDI rank	GDP Growth rank	HDI improvement Rank	Non- Income HDI rank	GDP Growth rank
		1970-2010			1970-2010	
1	Oman	1	19	15	7	40
5	KSA	3	111	18	2	108
7	Tunisia	6	20	14	12	21
9	Algeria	5	100	30	19	98
10	Morocco	14	42	12	10	43
13	Libya	4	132	41	18	114
17	Egypt	25	39	21	28	32
19	UAE	24	38	103	88	118
34	Bahrain	21	104	94	93	67
43	Jordan	26	87	51	53	44
58	Qatar	73	121	104	104	58
67	Sudan	121	72	22	118	9
68	Kuwait	48	131	61	59	50
94	Lebanon	89	92	29	54	8
122	Djibouti	117	133	100	109	130

Source: Human Development Report, 2010.

In table 1 we see that, compared to 4 of the top 10 movers being Arab countries using 1970 as the base year, not a single Arab country is amongst the top 10 movers on HDI from 1990 onwards. However, three of the top movers in the earlier period, namely Oman, KSA and Tunisia, continue to make remarkable progress on HDI in the latter period, being placed amongst the top 20 movers, together with Morocco. Algeria demonstrates much slower progress in the second period, due to the effect of the prolonged internal strife the country experienced in the 1990s. Sudan, Kuwait, Lebanon and Djibouti, on the other hand, show the slowest rates of improvement in HDI since 1970. Djibouti also shows consistently low rankings in terms of progress on both income and non-income components of HDI and remains amongst the worst performers when one looks at the period since 1990. This is a clear reflection of the fundamental constraints it faces in its attempt to break out of a vicious cycle of misery that is typical of LDCs. The poor performance of Lebanon against a 1970 base is largely due to the negative impact of the long-running civil war on both economic prosperity and provision of quality public services. Lebanon's relative performance has improved significantly since 1990, with the end of the civil war, which led to resumption of economic activities and improved access to public services. The low rank of Sudan comes as no surprise given that the country was at war with itself almost ever since independence in the 1950s. Hence, even when discovery of oil in the 1990s led to a substantially improved performance on the GDP per capita front, the ranking of the country remained poor on non-income elements of HDI because it experienced difficulties in translating gains in income into improved human security and provision of basic social services.

Figure 1: GNI per capita versus hybrid HDI for Arab and developing countries, 2010



Source: Based on data from Human Development Report, 2010.

In figure 1 we compare performance on income per capita with HDI across countries. All Arab countries (with the exception of Tunisia, Jordan and Comoros) lie below the regression line that separates countries that have higher GNI rank relative to their HDI rank from countries that have lower GNI rank relative to their HDI rank. Thus, with the exception of Tunisia, all Arab countries, which have been identified by the global Human Development Report as top-movers, still lag behind on human development relative to their income levels. Simply put, most Arab countries could have attained higher levels of HDI had they been as effective as their peers in the developing world in implementing a human centred development path.

This poor performance on human development, despite substantial investment in health and education, is arguably due to the impact of poor governance structures on the effectiveness of these expenditures. Poor accountability frameworks have led to high rates of corruption and disregard of quality issues. Ineffective or non-existent parent-teacher associations and limited provision of funding for operations and maintenance of public assets have undermined the quality of education services in particular. In fact, many school facilities have been left in dilapidated conditions and with insufficient supplies of teaching aids.

The evolution of the HDI gap between Arab countries and the more developed OECD economies is also of direct relevance to any objective assessment of their human development gains. Table 2 shows the results of undertaking such an exercise. The first column shows the HDI Gap, which is measured by the ratio of the HDI of the developing country or region to the HDI of highest developed countries in 2010 (the latter is calculated as the simple average of the HDIs for the ten countries that have the highest HDIs in 2010). When this ratio is deducted from the corresponding ratio in 1970, a country/region that is successful in closing the gap will show a positive percentage change. The second column reports this percentage change. On this basis, the third column in the table ranks Arab countries and developing regions according to the progress achieved, or lack thereof.

Table 2: HDI gap between Arab countries and highly developed countries in 2010 and its percentage change, 1970-2010

Country/Region	HDI Gap	Δ HDI Gap	HDI Improvement Rank
Bahrain	0.91	14%	59
Kuwait	0.94	3%	79
Oman	0.87	88%	4
Qatar	0.93	6%	70
Saudi Arabia	0.88	49%	19
United Arab Emirates	0.93	23%	41
Djibouti	0.51	20%	44
Sudan	0.52	40%	27
Algeria	0.78	44%	24
Libya	0.89	29%	34
Morocco	0.68	54%	14
Tunisia	0.80	47%	22
Egypt	0.72	41%	26
Jordan	0.79	21%	43
Lebanon	0.84	3%	78
Arab countries	0.73	43%	3
East Asia & Pacific	0.78	69%	1
Europe & Central Asia	0.76	%-2	6
Latin America & Caribbean	0.84	14%	5
South Asia	0.62	50%	2
Sub-Saharan Africa	0.50	35%	4
Developing regions	0.70	38%	

Source: Authors' estimates based on data from Human Development Report, 2010.
Note: Refer to background paper "Arab Human Development: Phenomenal Progress or Mixed Results?" by Abu-Ismail, et. al. for further details on data and methodology.

Although all Arab countries were successful in closing the HDI gap, only Oman is ranked within the top ten HDI achievers using this methodology. It is followed by Morocco and Saudi Arabia (which rank fourteenth and nineteenth, respectively). Compared to other developing regions, Arab countries ranked third in terms of convergence with highly developed countries over the period from 1970 to 2010 and were outperformed by the East Asia and Pacific and the South Asia regions. As argued earlier, these results point to an average record of human development progress.

Human poverty reduction but HPI still high compared to income per capita

The Arab region has managed to register respectable rates of decline in human poverty, with the HPI index falling from 31 in 1997 to 23 in 2007. Interestingly, the rate of decline in both human and income poverty shows a substantial decline from 1990 onwards, at the same point when structural reform policies began to take hold. It is noteworthy that human poverty was reduced at an even slower rate for Arab LDCs with the rate only falling from 40 in 1997 to 34 by 2007. The highest rate of reduction in the HPI was achieved by the GCC (45%) with remarkable progress achieved by Kuwait, Qatar, Oman and UAE. Among the more diversified economies of the Mashreq and Maghreb, Syria and Algeria were able to reduce human poverty at a more rapid pace.

We performed a simple mathematical exercise to assess the extent to which increases in income have been translated into decreases in human poverty. We found the prevailing general relationship between income per capita levels and HPI and used this information to arrive at an estimate of the expected value of the human poverty index for any given GDP per capita. The expected "or estimated" values of HPI* were then compared with the actual HPI. If the ratio of the latter to the former was higher than one, this suggested the country or region had a higher than average level of human poverty than what one would expect, relative to GDP per capita. A summary of the results for Arab countries and developing regions is shown in table 3.

Table 3: Actual and estimated HPI for developing regions and Arab countries, 1997 and 2007

Country/ Region	HPI (1997)	HPI* (1997)	HPI (2007)	HPI* (2007)	HPI/HPI* (1997)	HPI/HPI* (2007)	Change in HPI/HPI*
Egypt	33.0	23.4	23.4	15.8	1.4	1.5	0.1
Jordan	9.7	21.5	6.6	16.8	0.5	0.4	-0.1
Syria	21.1	22.4	12.6	17.8	0.9	0.7	-0.2
Lebanon	11.2	14.7	7.6	11.1	0.8	0.7	-0.1
Mashreq	28.9	22.8	19.9	16.1	1.3	1.2	0.0
Libya	18.1	13.7	13.4	10.2	1.3	1.3	0.0
Algeria	27.8	17.9	17.5	12.6	1.5	1.4	-0.2
Morocco	37.8	22.1	31.1	19.0	1.7	1.6	-0.1
Tunisia	23.6	15.9	15.6	12.8	1.5	1.2	-0.3
Maghreb	30.4	19.0	22.1	14.9	1.6	1.5	-0.1
Mauritania	48.3	33.0	36.3	31.1	1.5	1.2	-0.3
Sudan	36.6	34.7	34.0	29.7	1.1	1.1	0.1
Yemen	43.3	43.8	35.8	27.8	1.0	1.3	0.3
Comoros	32.3	35.1	20.4	39.7	0.9	0.5	-0.4
Djibouti	38.8	38.2	25.6	29.9	1.0	0.9	-0.2
LDCs	39.2	37.6	34.5	29.2	1.0	1.2	0.1
Bahrain	9.8	10.1	8.0	10.0	1.0	0.8	-0.2
Oman	33.2	11.2	14.8	10.1	3.0	1.5	-1.5
Qatar	14.0	10.1	5.0	3.3	1.4	1.5	0.1
KSA	18.8	11.1	12.0	10.1	1.7	1.2	-0.5
Kuwait	13.6	10.1	4.7	8.6	1.3	0.5	-0.8
UAE	17.6	10.1	7.7	7.5	1.7	1.0	-0.7
GCC	19.2	10.9	10.8	9.4	1.8	1.1	-0.6
AC	30.5	23.5	22.8	17.9	1.3	1.3	0.0
EAP	18.3	23.4	9.9	17.8	0.8	0.6	-0.2
LAC	12.8	15.1	8.7	12.5	0.8	0.7	-0.2
SAS	37.4	34.5	29.4	26.8	1.1	1.1	0.0
SSA	40.4	39.2	35.9	34.3	1.0	1.0	0.0
DR	27.0	27.9	20.0	22.2	1.0	0.9	-0.1

Source: Authors' estimates based on data from OPHI and Human Development Reports (1995-2010).
Note: Refer to background paper "Arab Human Development: Phenomenal Progress or Mixed Results?" by Abu-Ismail, et.al. for further details on data and methodology.

We first observed that actual HPI for Arab countries is significantly higher than their expected HPI (HPI*) compared to any other developing region. Second, within the Arab region, the actual to expected HPI is significantly larger for Maghreb countries. Third, the Arab region did not witness any change in the gap between actual and expected HPI over the period between 1997 and 2007, as indicated by the zero percentage change in the ratio of actual to expected HPI shown in the last column. Fourth, the stagnation of the HPI to HPI* ratio was not uniform within the Arab region. The ratio declined significantly for GCC and marginally in the countries of Maghreb and Mashreq. However, the Arab LDCs witnessed an increase in the gap between actual and expected HPI indicating a retrenchment in human poverty reduction efforts.

An additional measure of human poverty is found in the recent Multi-Dimensional Poverty Index (MPI) produced by the Oxford University Poverty and Human Development Initiative (OPHI) and UNDP in 2010, which covers 104 countries (including 13 Arab countries). According to this methodology, a household is identified as multidimensional-poor if it is deprived in 3 of 10 indicators which, as in the HPI, are divided across three dimensions of deprivation (health, education and standard of living).

Using survey data, the OPHI calculated the MPI as the product of two numbers: the headcount ratio, or proportion of people who are multidimensional-poor and the average intensity of multidimensional-deprivation, which reflects the proportion of dimensions in which households are deprived. The average intensity of deprivation for developing regions in the sample is 53.1%. Sub-Saharan Africa has the highest intensity (58.2%) while the lowest (42.1%) intensity occurs in Europe & Central Asia. The Arab region's average intensity of 49.3% is below world average. The region has an average value of MPI of 0.08, which is substantially less than the developing world average of 0.17. However, as argued in the background paper on human development by Abu-Ismail et. al., the MPI has difficulty in capturing extreme deprivation in middle income countries in general and in the Arab region in particular.[7] It should also be noted that neither the HPI nor the MPI are best suited to describe human deprivation as a result of occupation. Box 1 provides a glaring example of the daily suffering of the Palestinians living in the Occupied Palestinian Territory.

Despite the positive image created by the MPI, the Arab MDG Report 2010 shows that the region is off-track on particular MDG targets. Consistent with the uneven progress of Arab countries on HDI, the report points to a mixed performance with respect to MDG attainment since 1990. Thus, while the region has scored major achievements in education and gender equality, it still lags behind on many MDG targets, particularly on the percent of population with access to safe water, which is 38% below target. Performance on maternal mortality, under five child malnutrition, access to sanitation, infant and under five mortality has not been flattering either.[8] These results confirm our earlier conclusion that the region has patently failed to transform its wealth into a commensurate improvement in human welfare.

Box 1 Human deprivation under occupation: the case of the Occupied Palestinian Territory

Israeli policies and practices have led to the pervasiveness of poverty in the OPT characterised, according to the UN Committee on Economic, Social and Cultural Rights , as " the sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights." (E/C.12/2001/10), para.8. As such, it cannot be readily measured by the HPI, MPI or the money metric national poverty line.

According to the IMF, Israeli imposed movement and access restrictions following the Second Intifada have restricted movement of people and goods and obstructed access for Palestinian agricultural or manufacturing produce to local, regional and international markets causing the sectoral shares of manufacturing and agriculture to shrink from 33 percent in 1994 to 19 percent in 2010. Palestinian produce is also subjected to lengthy security checks that increase time and cost, reducing its competitiveness in global markets.

Israel has also imposed access restrictions into and out of the Gaza Strip since the 1990s, forcing an almost complete blockade since June 2007 with a devastating impact on both the economy and the 1.5 million Palestinians who live in Gaza. Since late 2008 Israel also imposed a 'buffer zone' that left a significant proportion of households facing difficulty accessing agricultural land, education and essential health services. Moreover, a maritime blockade restricted access to the sea leaving Gaza's fishermen in dire poverty.

Attacks and harassment of Palestinian farmers and destruction of their property by Israeli settlers living in the West Bank has also produced a significant impact on the ability of Palestinian farmers to engage in livelihood activities. In the first six months of 2010 alone, the United Nations reported that thousands of olive trees and crops had been damaged in settler-related incidents. In a recent study, the Israeli NGO Yesh Din did not find a single case where the Israeli authorities took action to bring those involved to court.

On 26 July 2010, settlers went on a day of rampage setting ablaze several fields in the village of Burin, near Nablus. Even though the fields are in full view of the Israeli soldiers manning the Hawara checkpoint some 20 metres away, Yesh Din and the villagers say the army did nothing to stop the settlers. Burin is located in Area C of the West Bank (under full Israeli control), in a valley between two mountains, on top of which sit two Israeli settlements, Yizhar and Bracha. Ali 'Id, the head of the village council, says that settlers have caused the loss of 16,000 trees in Burin over the past years and that violence flares each autumn during the olive harvest.

Mohammed Abu Najar lives in Burin, close to the Bracha settlement. He is 50 years old and married with eight children. He lives solely from farming, mainly olives. In June 2009, settlers began to attack Mohammed's land, cutting down and setting fire to his olive trees, as well as spraying chemicals on them. In a two week period around 400 of his trees were destroyed or severely damaged. Mohammed estimates that he used to produce on average around 100 containers (17 kg each) of olive oil from his trees and that each container could be sold for 400 ILS ($105) in 2009. In July 2010, settlers once again attacked his land and cut down 75 more olive trees.

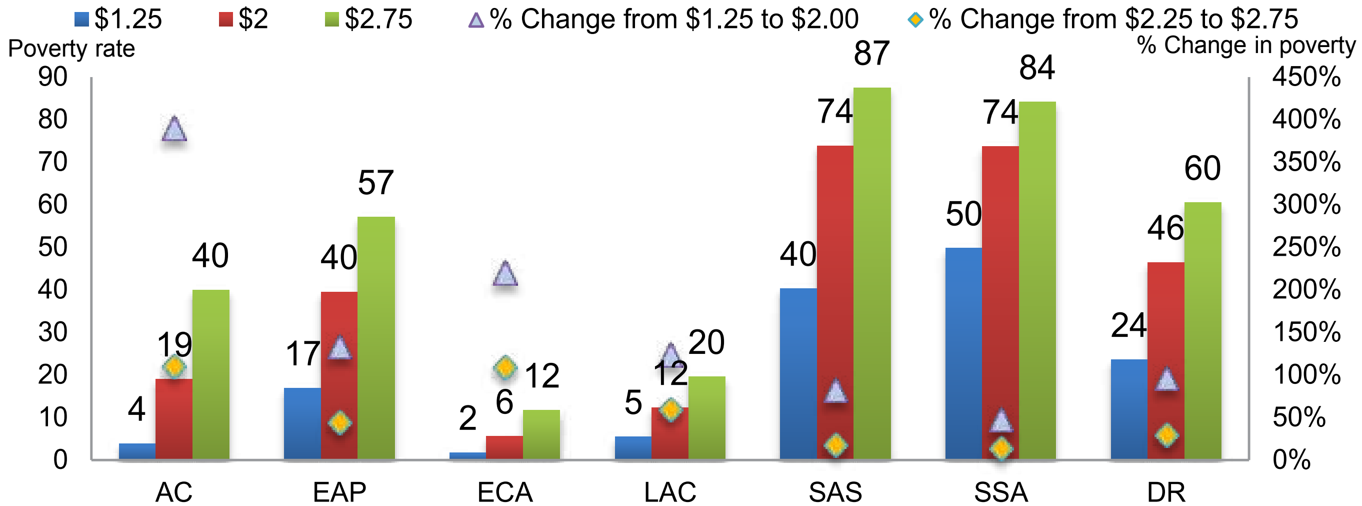
Source: OXFAM, 2011.

Money Metric Poverty and Expenditure Inequality

Low money metric poverty but high exposure to economic shock

If we stick to the $1.25 poverty line, the Arab region has virtually wiped out poverty at 3.9%, similar to the level for the much richer Latin American region. However, such a benchmark clearly fails to capture deprivation in either region. This poverty line would translate into 3.5 Egyptian Pounds per day, which can barely buy enough subsidized food to keep the average Egyptian alive, let alone provide for public transportation at 1 pound for a bus ride each way in Cairo. Clearly, a person on this level of income cannot afford any paid lodging, even in the most run down parts of the city. But when we look at poverty against a higher benchmark of $2.00, the Arab region has a 19% poverty rate which is 60% higher than the rate for Latin America. As a result, increasing the value of the poverty line will increase the poverty rate by a considerably higher margin in the Arab region, compared to any other developing region (Figure 2).

Figure 2: Proportion of people living on less than $1.25, $2.00 and $2.75 a day in Arab countries and other developing regions and change in poverty rates (Percent), 2000-2009



Source: Authors' calculations and estimates based on World Bank POVCAL datasets (in 2005 PPP), UNDP Poverty Assessment Reports and HIES unit record data.
Note: Arab countries included are Egypt (1991 and 2009), Syria (1997 and 2007), Jordan (1997 and 2006), Tunisia (1990 and 2000), Morocco (1991 and 2007), Yemen (1998 and 2005), Djibouti (1996 and 2002) and Mauritania (1996 and 2000).

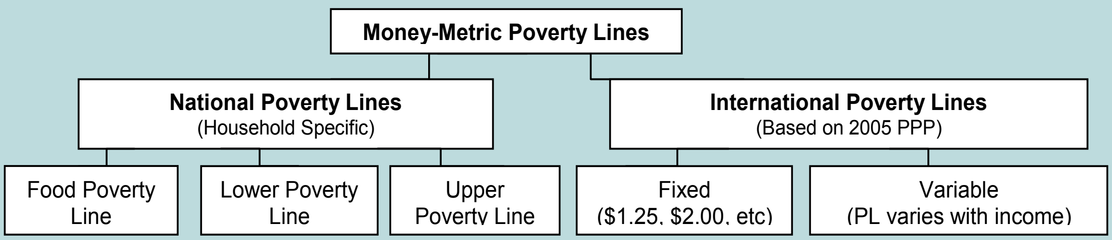
It is easy to conclude, therefore, that the choice of a poverty line, while clearly affecting poverty rates in all regions, has higher reverberations on poverty rates in Arab countries. This is quite clear in figure 3, which plots poverty incidence curves over a range of poverty lines (ranging from 0.2 to 10$ PPP). At any value which is lower than 1.25, the Arab region displays a very low poverty incidence (at par with Europe & Central Asia and lower than Latin America). However, poverty rates for the Arab region jump sharply at higher poverty lines so that, at a poverty line of approximately $3 a day, the region's poverty rate is much closer to the average for all developing regions. Interestingly, this is not the case for other regions. South Asia and Sub-Saharan Africa are consistently poorer than other regions; East Asia is consistently within close range of the global average and Latin America and Europe are consistently below other regions (Box 2 defines main approaches and measurements of absolute money-metric poverty).

With a significant proportion of the population clustered between the $1.25 and $2.75 lines, any small shock to disposable income or income distribution can produce a significant impact on poverty in this region. This is also confirmed by the 2010 Global Monitoring Report by the World Bank and the IMF which projects that the Arab region, whilst it is thus far the least affected by the global financial crisis, may suffer more than any other region if growth falters.

Box 2 Main approaches and measurements of absolute money-metric poverty

Money-metric poverty is calculated based on household-level data from income and/or expenditure surveys. In this report, the focus is on expenditure (or consumption) poverty, which is the most common and accurate measure of money metric poverty in developing countries. Expenditure poverty is affected by the average per capita consumption expenditure in a society (a higher expenditure decreases the poverty rate, ceteris paribus), the poverty line (a higher the poverty line increases the poverty rate, ceteris paribus) and the distribution of consumption expenditure (a higher inequality in distribution of expenditure increases the poverty rate, ceteris paribus).

At the national level, the poverty line is composed of two components: a food component and a non-food component. The sum of the two gives rise to the overall poverty line. The food component is usually calculated on the basis of WHO-FAO recommended dietary requirements of calories and protein intake for a normal functioning in a given environment. The food poverty line (FPL) typically takes into account the particular household minimum nutritional requirements, depending on its members' ages and gender composition. The FPL should also account for regional differences in relative prices, expenditure patterns, activity levels, as well as the size and age composition of poor households. This leads to a variation in the appropriate poverty line depending upon the location and composition of a particular household.



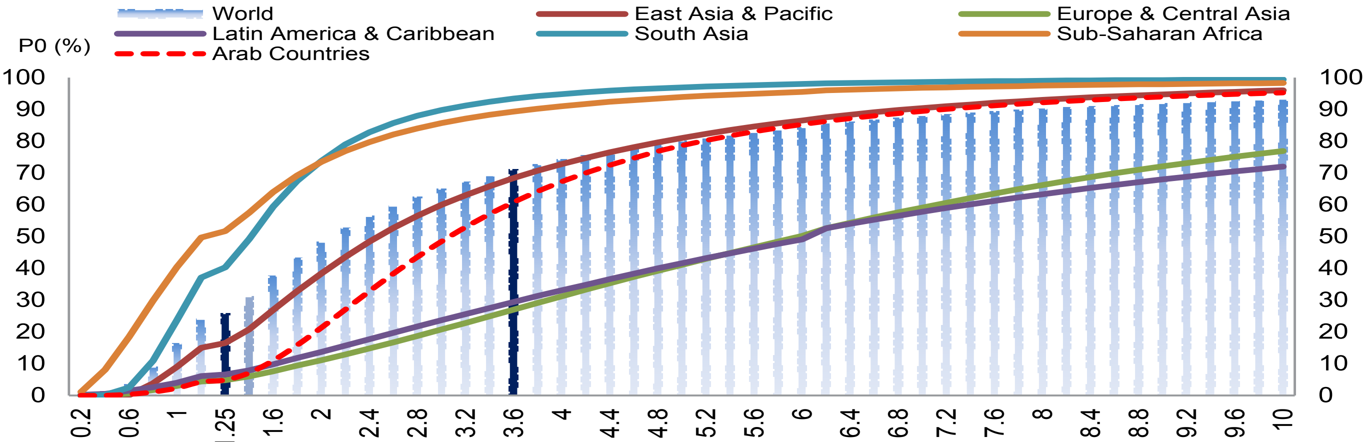
While the cost of the minimum food bundle is derived from estimated physiological needs, determining the minimum non-food bundle is less straightforward. However, the non-food allowance for each household is commonly estimated using the following two thresholds; (i) identifying the non-food share of households whose expenditure on food is equivalent to the food poverty line; or (ii) identifying the non-food expenditure for households whose total expenditure is equivalent to the food poverty line. Adding (i) to the FPL yields an upper poverty line (UPL), while adding latter to the FPL yields a 'lower poverty line' (LPL). In most countries, the national poverty rate based on applying the LPL.

The internationally comparable lines are useful for producing global aggregates of poverty. In principle, they test for the ability to purchase a basket of commodities that is roughly similar across the world. The $1.25 a day poverty line corresponds to the value of the poverty lines used in some of the poorest countries. An important step in the process of compiling global poverty estimates is the conversion of the $1.25 a day international poverty line into respective national currency units. PPP exchange rates, such as those from the International Comparison Program or the Penn World Tables, are used because they take into account the local prices of goods and services not traded internationally. Although PPP rates were designed for comparing aggregates from national accounts, they were not intended for making international poverty comparisons. PPPs are based on prices of goods and services that may not be representative of the consumption baskets of the poor, so they may not fully reflect the relative price level faced by very poor consumers. As a result, there is no certainty that an international poverty line measures the same degree of need or deprivation across countries. Hence, as argued in this report, a more sensible approach will allow the poverty line to vary in accordance to the standard of living.

Source: UN Statistics Division (http://unstats.un.org/unsd/mdg/Metadata.aspx?IndicatorId=1), El Laithy and Abu-Ismail (2005).

The main question, however, is not which of these fixed poverty lines is more relevant for Arab countries, but rather, whether fixing a poverty line across countries will lead to a meaningful comparison. The fixed international lines used for producing global aggregates of poverty are supposed to test, in principle, the ability to purchase a basket of commodities that is roughly similar across the world. But such a universal line is generally not without major perils (See for example Reddy and Minoiu (2007) and Reddy (2009). In this report, we argue that an appropriate poverty line should be based on the development level of the country presented by the per capita consumption expenditure (PCE). We estimate new poverty lines (RPLs) by regressing the NPL for developing regions on the average PCE (in PPP 2005) (See Box 3 for details).

Figure 3: Poverty rates for Arab countries and developing regions across a range of poverty lines (in 2005 PPP based on most recent surveys), 2000-2009



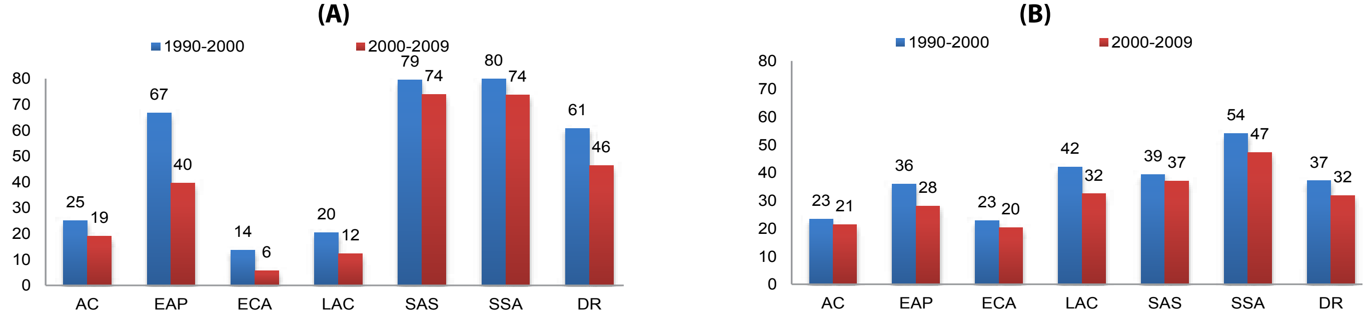
Source: ibid
Note: Arab countries included are Djibouti, Comoros, Egypt, Jordan, Mauritania, Morocco, Tunisia and Yemen

For the Arab region, Latin America, Sub-Saharan Africa and South Asia in the 1990s, Table 4 shows our estimated RPLs are within close range of the national poverty lines. Our estimated poverty lines (RPLs) and PL/PCE ratios are found to be least consistent with the national poverty lines in East Asia & Pacific. This is understandable, given that China tends to significantly underestimate the value of its national poverty line (NPL). While our estimated poverty lines for SSA are close to the World Bank $1.25 line, they are significantly higher for developing regions as a whole. The exercise thus implies that the $1.25 is far too low as a benchmark for global poverty measurement and that if we decided to use a fixed global poverty line to monitor extreme poverty in developing countries -despite the strong reasons why we should not- the $2.00 per day line would be a more appropriate benchmark.

This exercise also clearly indicates the need to use a variable poverty line over time, even if we should decide to use some common yardstick to compare poverty across countries. As can be expected, the monetary value of the poverty line increases over time as societies grow richer and the cost of the minimal basket of goods that can meet survival needs increases. This feature is retained by most national and estimated poverty lines based on regressions.

Even though the weighted average poverty line for the Arab region, whether based on national poverty lines or regression, is close to the $2.00 per day, these country specific poverty lines better reflect the reality, as they allow for different lines from one country to another. In figure 4, we compare the poverty reduction experienced by the Arab region and other developing regions using the standard $2.00 per day and the regression-based estimated poverty lines. The reduction in poverty for the Arab region, rather than being 24% if we apply the same line for all countries in the region, declines to only 8% when we apply the more reasonable variable rate. Clearly, while it is true that compared to most other developing regions the Arab world suffers from low levels of poverty, the progress achieved in reducing poverty has been amongst the slowest globally and is not sufficient to make a major dent on poverty in the near future.

Figure 4: Poverty rates for the $2.00 (A) and RPL (B) lines in 2005 PPP, 1990-2009



Source: ibid
Notes: Arab countries included are same as figure 2.

Table 4: National poverty lines and UNDP estimated regression-based poverty lines (RPL) (2005 PPP per capita, per day) for developing regions and Arab sub-regions, 1990-1999 and 2000-2009

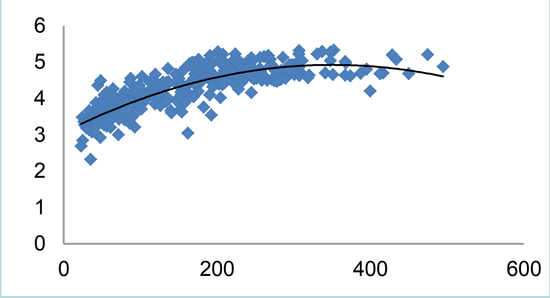
	PCE per capita per month	NPL per day	PR based on NPL	RPL per day	PR based on RPL	NPL/PCE	RPL/PCE
Sub-Saharan Africa (11)							
1990-1999	48	1.2	52.89	1.1	54.02	0.73	0.72
2000-2009	58.8	1.3	45.75	1.3	47.26	0.65	0.66
South Asia (6)							
1990-1999	48.9	1.1	36.88	1.2	39.42	0.69	0.71
2000-2009	55.2	1.1	28.37	1.2	37.02	0.59	0.67
East Asia & Pacific (9)							
1990-1999	59.6	0.8	10.89	1.3	35.95	0.4	0.65
2000-2009	102.4	0.8	5.55	1.8	28.10	0.24	0.54
Arab countries* (8)							
1990-1999	117.9	1.9	20.3	2	23.32	0.49	0.52
2000-2009	130	2.1	18.1	2.2	21.46	0.5	0.51
Europe & Central Asia (9)							
1990-1999	167	3.2	32.75	2.7	22.80	0.59	0.5
2000-2009	257.2	3.3	14.67	3.8	20.27	0.39	0.45
Latin America &Caribbean (16)							
1990-1999	254.3	3.9	42.88	3.9	41.95	0.47	0.46
2000-2009	323.2	4.3	34.14	4.2	32.43	0.41	0.39
Developing regions (59)							
1990-1999	87.1	1.5	26.92	1.6	37.09	0.52	0.57
2000-2009	121.1	1.5	19.67	2	31.76	0.39	0.5

Source: ibid
Notes: 1) Refer to background paper "Towards more Sensible Poverty Measurement" by Abu-Ismail, et. al. for further details on data and methodology.) 2) Arab countries included are same as figure 2.

Box 3 Estimate of internationally comparable poverty lines

Despite its many problems, the World Bank used the national poverty lines of the poorest countries as a basis for establishing its $1.25 poverty line. It relies on the PPPs to equate the cost of the same bundle of goods and services that can be purchased with $1.25 in the World's poorest countries. However, this argument can be strongly contested for a variety of reasons. First, comparisons of countries at different levels of development pose a potential problem because of differences in the relative importance of consumption of nonmarket goods. Moreover, although PPP exchange rates such as those from the International Comparison Program or the Penn World Tables, take into account the local prices of goods and services that are not traded internationally, they were designed for comparing aggregates from national accounts, not for making international poverty comparisons. PPPs are also based on prices of goods and services that may not be representative of the consumption baskets of the poor, so they may not fully reflect the relative price level faced by very poor consumers. As a result, there is no certainty that an international poverty line, when applied, will measure the same degree of deprivation across countries.

In this report we suggest an alternative method to construct more relevant international poverty lines. At the outset, it is important to note that we accept the World Bank's basic idea of relying on national poverty lines to construct a globally comparable poverty measure. However, we reject the assumption that this measure should be a fixed one, or that it should be based on the national poverty lines of the poorest countries. Rather, we argue that international poverty lines should be based a priori and on already well-established stylized facts regarding the relationship between national poverty lines and the average per capita expenditure (in 2005 PPP). Fortunately, the recent spur in the number of country surveys available on the World Bank website allows us to examine the relationship between those indicators across a large number of household surveys (372) and developing countries (107).



Several specifications have been tried to estimate relationship between the national poverty lines (NPL) and per capita consumption expenditure (PCE), which is plotted in the figure above (PCE on the horizontal axis). We kept the one with the best fit which is based on a non-linear relationship (polynomial function). Accordingly, the estimated regression takes the following form:

$$\ln(NPL)=\beta_0+\beta_1\ PCE+\beta_2(PCE)^2$$

The statistically significant estimated parameters are then used to estimate the regression-based poverty lines (RPLs), given the PCE level for each country.

Source: Abu-Ismail, Ramadan and Abou Taleb, 2011.

The enigma of inequality

Gini coefficients indicate relatively moderate income inequality, as they are estimated based on consumption surveys that tend to exclude the top 5% of the income stream. This aberration has at times been explained by the argument that the purported low levels of inequality result from redistributive policies followed by Arab governments. After all, the Arab social contract has citizens tolerate limitations on their political freedoms in exchange for material benefits offered by a provident state. Evidence from household budget surveys for countries like Yemen indicate that the observed moderate level of consumption inequality can be due to the operation of informal, socially organized protection plans, notably the Islamic Zakat system.

There is something discomforting about these empirical results. Given the glaring manifestations of rising inequality in expenditure and concentration of wealth in many Arab countries since the 1990s, one would have expected a more significant rise in inequality. This would also be more consistent with development-stylized facts, as well as with the more visible present day reality in many Arab countries where slum dwellings have proliferated alongside new enclaves of gated communities for the rich, as well as other symptoms of 'conspicuous consumption'. The present day realities evidence rising social exclusion and inequality in wealth and expenditure, which is difficult to square with stagnant values of the Gini coefficient.

One plausible explanation for this enigma is that the expenditure of the (actual) highest percentiles, which is difficult to capture in household surveys, witnessed significantly higher than average growth. If so, it is conceivable that reported inequality measures are underestimated. The large and increasing difference between household expenditure reported by surveys and national accounts lends credibility to this hypothesis.

Table 5: Per-capita Household Consumption Expenditure (HCE) derived from household surveys and national income accounts (HCE*) (in 2005 PPP) and their annual percentage change for Arab countries, 1990-1999 and 2000-2009

Country	HCE 1990s	HCE 2000s	HCE* 1990s	HCE* 2000s	HCE/HCE* 1990s	HCE/HCE* 2000s	Δ HCE (%)	Δ HCE* (%)
Djibouti	150.5	93.5	90.6	119.5	**1.66**	**0.78**	-0.076	0.05
Mauritania	78.7	88.3	98.8	97.3	**0.80**	**0.91**	0.029	0.00
Yemen	82.6	84.0	128.5	110.1	**0.64**	**0.76**	0.002	-0.02
Morocco	155.4	161.4	150.1	181.1	**1.04**	**0.89**	0.002	0.01
Tunisia	151.3	182.4	213.6	278.0	**0.71**	**0.66**	0.019	0.03
Egypt	100.9	121.1	219.2	312.8	**0.46**	**0.39**	0.010	0.02
Jordan	151.6	210.1	231.3	315.2	**0.66**	**0.67**	0.037	0.03
Syria	129.8	125.5	200.3	212.3	**0.65**	**0.59**	-0.003	0.01
Arab countries	117.9	130.0	189.4	247.1	**0.62**	**0.53**	0.102	0.30

Source: ibid

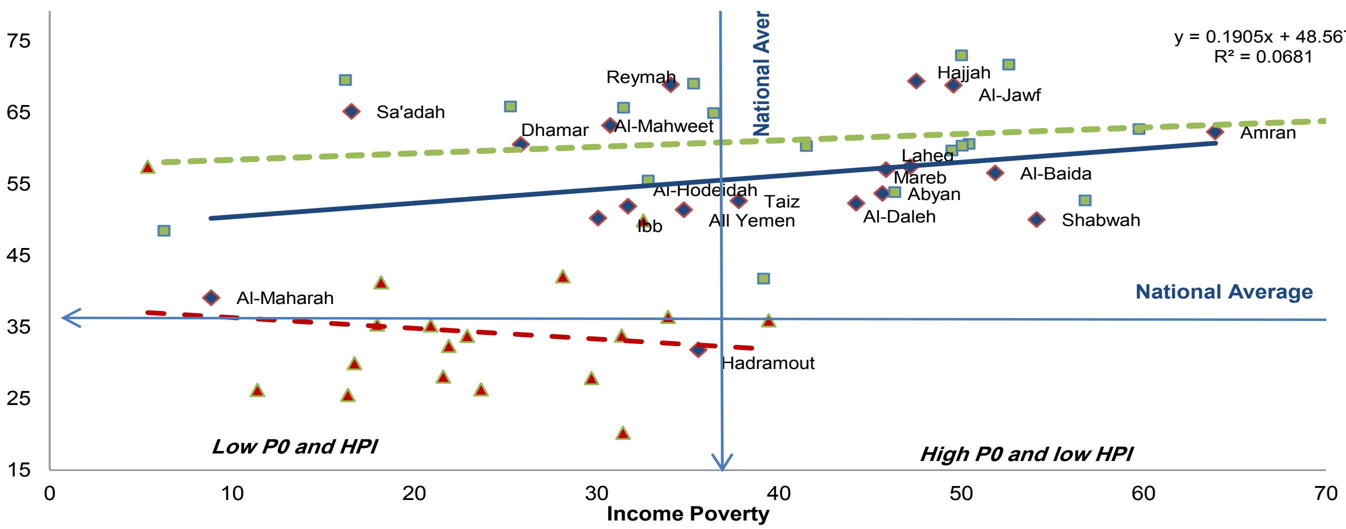
The results in Table 5 confirm that the estimates of household expenditure from national accounts are higher than those reported from household surveys for most countries (the exceptions are Djibouti and Morocco in 1990s) and that the discrepancy for Arab countries is quite high by developing country standards. This is particularly the case for Egypt, where the ratio of the per capita consumption reported by the household survey to the national account estimate was only 0.39 in 2009. The ratio also decreased for Tunisia, Syria, Morocco and Djibouti, which suggests the possibility of a rise in inequality in these countries. In the case of Egypt, based on Egyptian government official statistics, the data confirm that the country was experiencing real growth rates in excess of 5% in the 2000s, but per capita consumption levels (as revealed by household budget surveys) actually stagnated or declined.

The above noted anomaly in per capita consumption levels between household budget surveys and data from national accounts implies that either growth has been slower than believed, or consumption surveys are missing the big spenders. The first explanation is an unlikely scenario given independent corroboration of significant components of GDP by international sources on account of revenues from natural resources, exports of manufactured and agricultural goods and tourism receipts. Hence, the more likely interpretation is that actual consumption levels are seriously underestimated in household budget surveys. For that to be the case, the surveys must be excluding the top 5% of income earners, a plausible assumption given the reluctance of the rich in the region to openly share information about their opulent lifestyles. If this is indeed true, then the real value of Gini must be seriously underestimated.

High regional disparities in money metric and human poverty in Egypt and Yemen

While it is difficult to generalize about the extent and direction of change in regional disparities in the Arab region because comparable assessments of poverty over time are lacking, the experience of countries like Egypt and Yemen indicate widespread regional disparities in terms of both money metric and human poverty. What is worse, there has not been any noticeable improvement in disparity over time.

Figure 5: Headcount poverty and the Human Poverty Index for Yemen, 2006

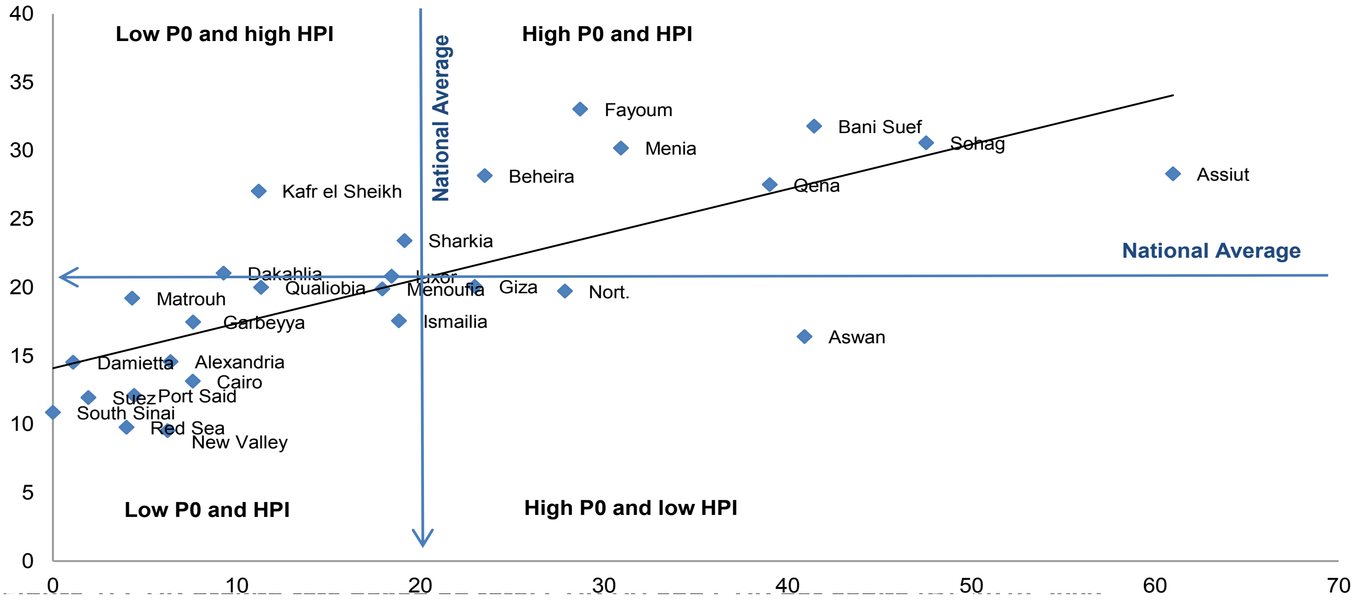


Source: El-Laithy and Abu-Ismail, 2008
Note: Red points represent urban areas, green ones represent rural areas, while blue diamonds represent governorates at the national level

Figure 5 depicts levels of money metric and human poverty for different governorates in Yemen, broken down into rural and urban areas. Against a few governorates that exhibit low levels of both money metric and human poverty compared to the national average, the scatter diagram shows how most governorates experience high money metric or human poverty, with a significant number suffering from both. It also shows higher levels of money metric and human poverty in rural as opposed to urban areas. This reflects the urban bias of the development process, which managed to bring about a substantial decrease in money metric poverty in urban areas while rural poverty stagnated. The diagram clearly demonstrates the difficulty the country has had in making progress against either money metric or human poverty, with equally high average levels of poverty (money metric and human) of around 35%. The lines that relate money metric to human poverty levels have low slopes: this means that the two do not appear to be linked and governorates that are at vastly different levels of money metric poverty exhibit similar levels of human poverty. This could well be a reflection of inadequate public expenditure on social services that has resulted in low quality health and education services in nearly the whole country. Total public expenditures on health and education in unified Yemen never exceeded 7.5% of GDP and have averaged around 6% since 1991, while a substantial amount of money was wasted on fuel subsidies that mostly benefited wealthier population segments.[9]

The observed intra-governorate differences would have been even higher had these regions not managed to safeguard their traditional social solidarity mechanisms, which translate into much lower levels of expenditure inequality in poorer rural governorates compared to the richer, urban ones. We can also observe that all rural areas, with the exception of Hadramout, suffer from above-average human poverty. On the other hand, all urban areas have below average human poverty, with the sole exception of Aljawf, which is only marginally above the average. This means that rural areas, even where they manage to overcome money metric poverty, continue to suffer from human poverty, while urban areas, as a rule, exhibit lower rates of money metric and human poverty. Given the critical contribution state intervention makes to reducing human poverty, the above confirms the urban bias of state action.

Figure 6: Headcount poverty and the Human Poverty Index for Egypt, 2008



Source: Based on data from El-Laithy, 2011.

Egypt's experience also confirms the existence of large intra-governorate disparities with respect to both money metric and human poverty, with only a few major urban agglomerations, such as Cairo and Alexandria, exhibiting low levels of both money metric and human poverty. On the other hand, most of Upper Egypt experiences high levels of both money metric and human poverty. These results form an economic development process that bypasses the largely rural upper Egypt, leading to agriculture seeing its contribution to GDP decline rapidly over time while the share of population engaged in agriculture declined at a much slower pace. As a result, the per capita income in rural areas declined substantially relative to income in urban areas. Neither was the pattern of public expenditure particularly pro-poor, with health and education accounting only for an average of 5.7% of GDP over the period of 1990-2008[10] and reaching a peak of 6.9% in 2002. Egypt has also been spending substantial amounts on food and fuel subsidies, which are known not to be effective in improving the diet of the poor and to disproportionately benefit the wealthier in the case of fuel subsidies.

The much stronger relationship between money metric and human poverty in the case of Egypt reflects inequalities in the way the national support provided for public health and education services is divided amongst governorates. The diagram also demonstrates the greater importance of dealing with money metric as opposed to human poverty in Egypt, given the greater extremes in terms of levels of income as opposed to human poverty. Figure 6 illustrates the significance of moving away from averages that can be misleading and the need to dedicate attention to the issue of regional disparities.

Growth and Structural Transformation

Volatile and oil-led growth perpetuate structural retardation

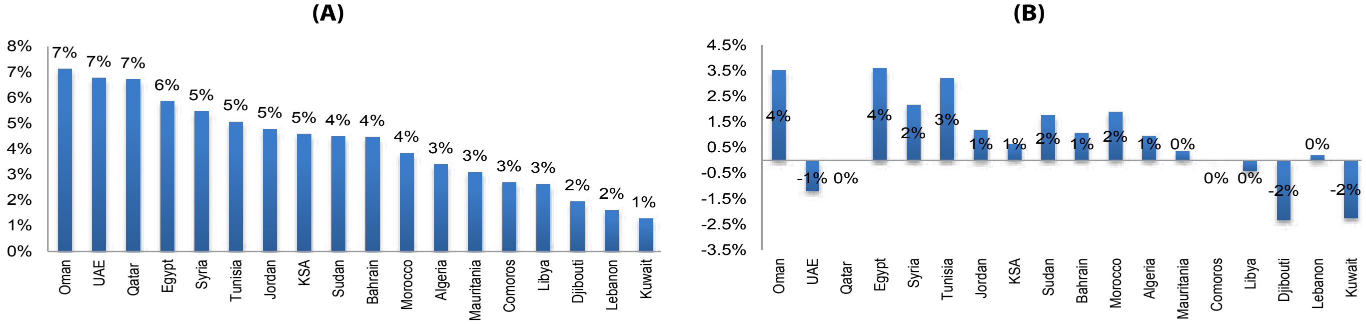
In this section we discuss issues related to sectoral economic growth and long-term structural transformation, while more details on employment and the labour market will be given in the following section. A central puzzle that emerges from the human development and poverty stylized facts is that: despite being healthier and more educated today than they were in the 1990s, Arab men and women are unable to utilize their enhanced capabilities to reduce money-metric poverty.

Although necessary, economic growth by itself does not lead to a 'healthy' structural transformation that alleviates poverty, reduces inequality and creates decent jobs. The literature on structural transformation considers an economy as having undergone structural transformation if the performance of different economic sectors is in line with the historical experience of developed countries as enumerated below:

1. The Share of Agriculture in GDP declines over time as real per capita GDP increases;
2. The Share of Industry in GDP increases over time and reaches a maximum when real per capita income reaches about \$13500 (in 2005 constant prices), at which point countries enter a post-industrial phase;
3. The Share of Services in GDP increases over time and reaches a maximum when real per capita income reaches about \$9500 (in 2005 constant prices);
4. The Share of Manufacturing increases over time without necessarily reaching a turning point in terms of real per capita income; and
5. The Share of Manufacturing employment in total employment increases over time.

Using GDP per capita in 2005 constant prices, average annual real GDP per capita growth rates over the period of 1970-2009 reached 2% per annum for the Arab region, excluding OPT, Somalia, Iraq and Yemen. The first three countries are excluded on account of exceptional conditions related to protracted civil war and occupation, while Yemen only came into existence as a unified country in 1990. Above average growth was only achieved by Syria, Tunisia, Oman and Egypt, while 6 countries registered negative growth during this period. Included amongst this group are UAE and Qatar, which had some of the highest total GDP growth rates: close to 7%. The negative per capita growth registered in these cases is in the nature of a statistical aberration because of a substantial increase in their resident populations due to oil-related prosperity.

Figure 7: GDP growth rate based on total GDP (A) and GDP per capita (B), 1970-2009



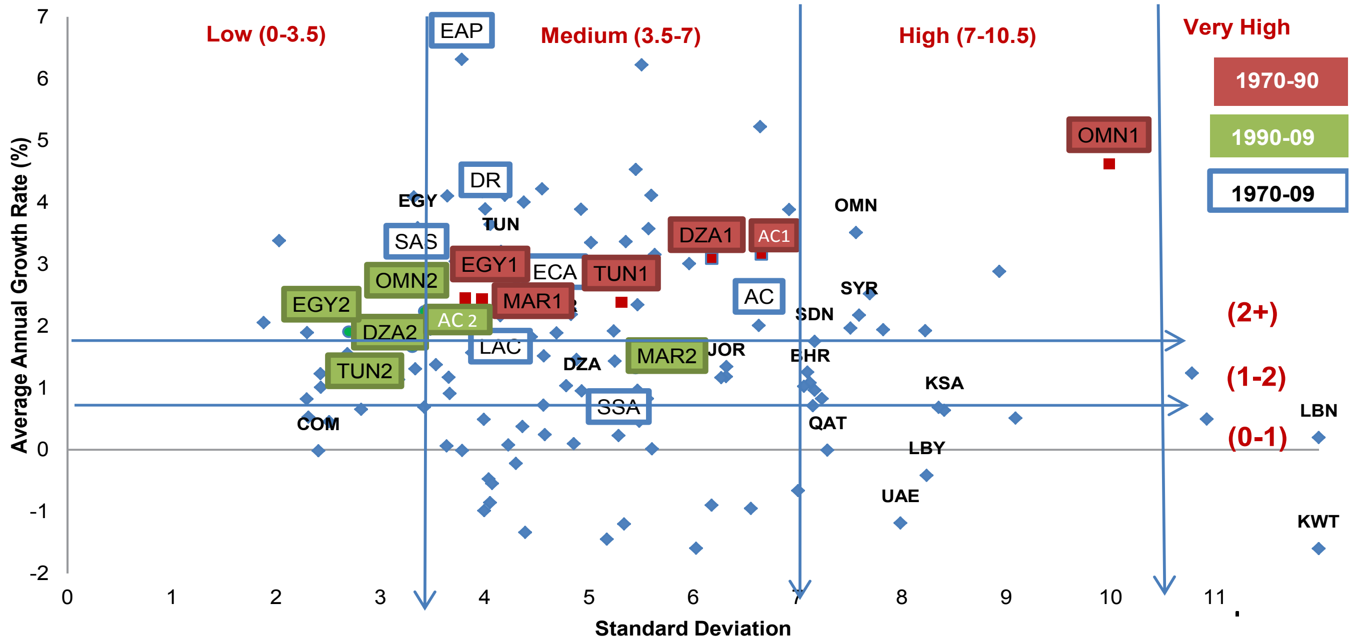
Source: Authors' estimates based on UNSD online datasets.

The region went through a difficult period in 1981-1990, following the peak of oil prices in 1980, with an average real GDP per capita growth of only 0.1%. The number of countries recording negative average annual real per capita GDP growth rates reached 14, with only Oman, Egypt, Tunisia and Morocco registering positive growth. The Arab region has, however, experienced a period of relatively stable high GDP per capita growth since 1991, averaging 2.4%, with only Comoros experiencing negative growth.

Relatively high volatility is one of the major features of the Arab growth process. Measuring volatility by the standard deviation around the mean growth and using a value of 3.5 or less as a benchmark for low volatility, Egypt is the only country whose growth is characterized by low volatility over the entire period of 1970-2009. Only Tunisia, Oman and Algeria record low volatility growth since 1991.

Figure 8 summarizes the growth-volatility performance of Arab countries and compares it to the performance of the developing world and its major subdivisions. The Arab region appears to have the highest volatility, while it achieves a respectable overall growth performance above that of Latin America and Sub-Saharan Africa. While the region has known substantially lower levels of volatility since 1991, the graph shows that this has been accompanied by a drop in the average growth rate of GDP per capita.

Figure 8: Distribution of Arab countries versus rest of the world according to volatility (Standard Deviation) and Average annual real per capita GDP rates of growth, 1970-2009



Source: ibid.
Note: Refer to background paper "Structural Retardation of Arab Economies: Symptoms and Sources" by Von Arnim, et. al. for further details on data and methodology.

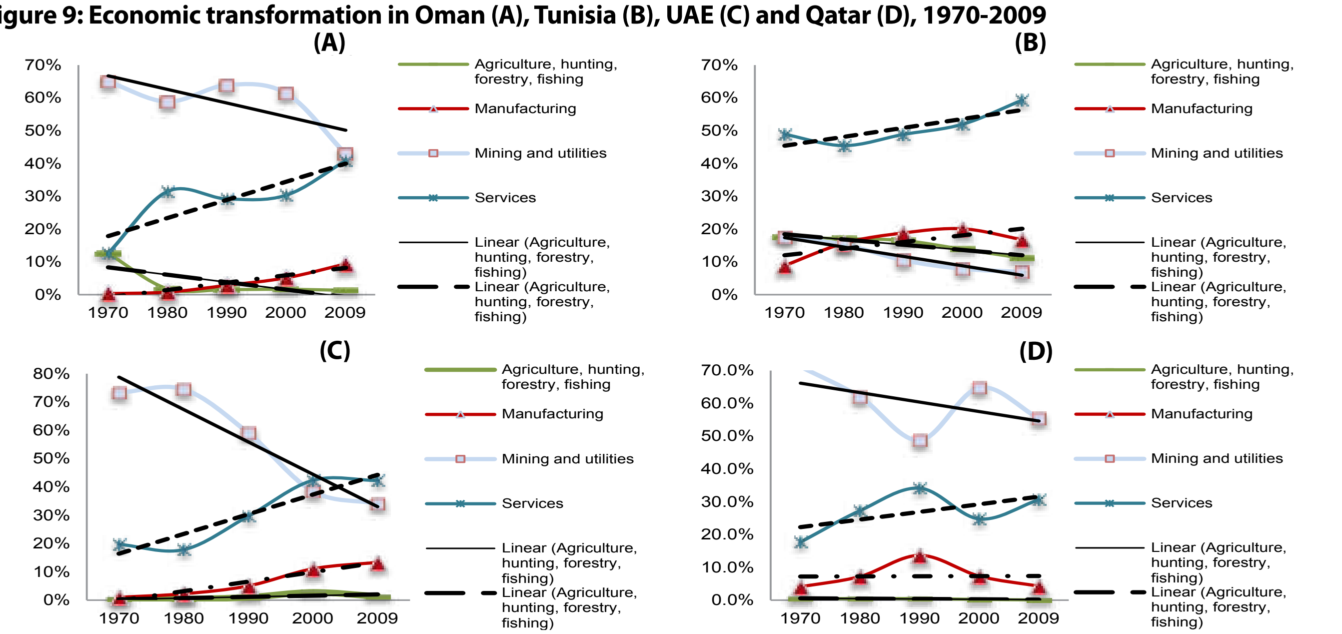
While there is a temptation to generalize about groups of countries that appear to share such characteristics as oil-rich and diversified economies, or low income and high income, the volatility of growth in the Arab region defies this logic. The highest rates of volatility are found in two high income countries: one, an oil-rich country (Kuwait) and one, an oil-poor country (Lebanon). However, when one looks beyond the figures it is clear that the high volatility of Kuwait is due to the impact of the Iraqi invasion in 1990 and its aftermath, while Lebanon's can be ascribed to the impact of a protracted civil war that started in 1975, as well as many years of Israeli occupation in parts of the country. Overall, we find a clustering of oil-rich countries in the group with high volatility, with Algeria being the only oil-rich country that exhibits medium volatility.

Grouping countries by income levels appears to be more useful in understanding trends. The MICs, led by Egypt and Tunisia, recorded the highest growth rate (2.45%) and lowest volatility (Standard deviation of 4.6). LICs showed the lowest growth rate (1.55% and high volatility (Standard deviation of 7). The high income group of countries includes Kuwait, with a very high level of volatility and as a group they demonstrate low per capita growth because they import labour in ever increasing numbers that over time swells their resident populations.

The overall growth pattern of the region is clearly influenced by oil price shocks. The entire region suffered from an oil price decline in the 1980s and benefitted from more stable and upward-moving oil prices since 1991. This is reflected in the region as a whole, showing a substantial decline in volatility in the latter compared to the earlier period, by moving away from a position close to high volatility to one close to low volatility. Thus, it is still correct to characterize the growth process as oil dependent.

Typically, structural transformation processes are accompanied by sustained increases in per capita real GDP, which would lead to the exclusion of countries that failed to increase per capita GDP of their resident populations because of substantial inflows of foreign labour, as has been the case for major Arab oil-rich countries. Here we relax the requirement of sustained increase of GDP per capita for this particular group and review the experiences of UAE and Qatar, given their high total GDP growth. Data on share of manufacturing in total employment is only available for the period up to 2004 for all countries and is thus only used as a secondary criterion to understand, to the extent possible, the depth of transformation. All Arab countries have seen the share of agriculture in GDP decline since 1970, except for Syria. Thus, we focus on identifying countries that have seen the shares of manufacturing and services increase noticeably over time.

Figure 9: Economic transformation in Oman (A), Tunisia (B), UAE (C) and Qatar (D), 1970-2009



Source: ibid.

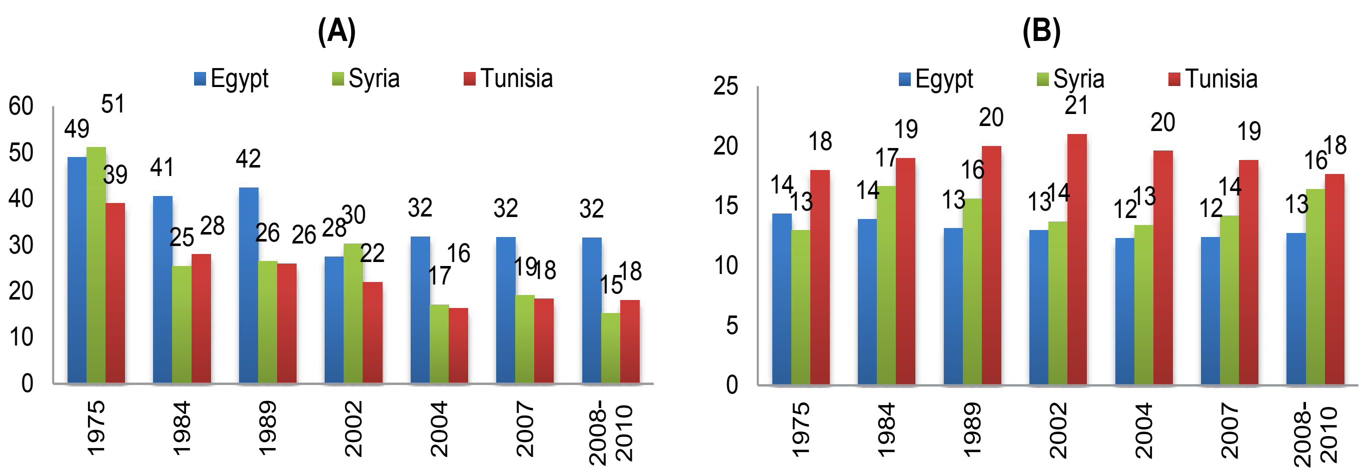
Oman and Tunisia have managed to maintain high growth rates of GDP per capita, though the growth has been more volatile in the case of Oman. Both countries have witnessed substantial increases in the shares of manufacturing and services in GDP and can thus be considered to have undergone a successful structural transformation. While the share of manufacturing in total employment increases noticeably for Tunisia, we are unable to assess what has happened to this feature of the classical transformation process because of a lack of data on sectoral shares of employment for Oman over an extended period. UAE also exhibits features of classical structural transformation over the period of 1970-2009. The success of UAE on this front is largely due to the choices made by the Emirate of Dubai to turn itself into a major regional commercial hub and to the eventual emulation of this model by the richer oil producing Abu Dhabi Emirate. Qatar is still very much driven by an oil and gas sector that continues to dominate the economy and has been largely responsible for the high rate of growth it has experienced. The country has managed to noticeably expand its service sector, but the growth in manufacturing has been gradual. The development model adopted in this case has put the emphasis on high-end services, including higher education, conforming to economies of high income developed countries. However, it is too soon for one to conclude that the economy has undergone a structural transformation, even though there is a promising trend in the rates of change.

Egypt suffered from an incomplete manufacturing transformation in the sense that, despite the classical trend in the GDP shares of the three major production sectors, the share of the manufacturing sector only increased marginally in constant prices over the period in question. However, the same share declined in current prices, as did the share of manufacturing to total employment. The growth engine of the Syrian economy was the mining sector, whose revenues were used to support the agricultural sector. Hence, the shares of mining and agriculture show an upward trend, with manufacturing declining in importance over time. The Syrian situation however, is more nuanced as data from UNIDO that add up contributions of different sub-sectors of manufacturing actually show an increasing trend for the share of manufacturing in GDP. Thus, it is prudent to exercise caution in passing any definitive judgment about Syria until more country-specific work is undertaken.

Tunisia has achieved the most meaningful structural transformation whereby shares of manufacturing and services have increased and manufacturing has managed to make an average contribution of 20% of GDP in the 2000s. This was achieved largely through use of windfall oil profits in the 1970s and 1980s to build up the country's productive infrastructure.

Figure 10 contrasts the experiences of Egypt, Syria and Tunisia with respect to shares of employment in agriculture and manufacturing over the period of 1975-2010, using national data. We observe that while the share of manufacturing increases over time for Tunisia and Syria to reach peaks of respectively 21% in 2001 and 16.6% in 1984, in the case of Egypt the share declines during the period consistent with the small decline observed in the share of manufacturing in GDP. The rate of decline in agriculture is substantially higher for both Tunisia and Syria, so that by 2004 it is less than manufacturing, while for Egypt the share continues to dwarf manufacturing throughout. Syria might have experienced a structural transformation, despite the heavy weight of the oil sector for most of the period.

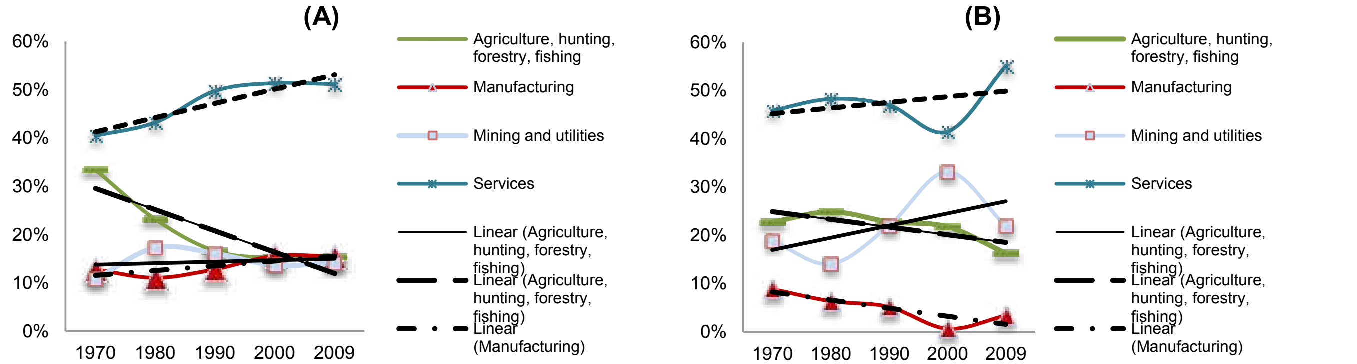
Figure 10: Shares of employment in agriculture (A) and manufacturing (B) for Egypt, Tunisia and Syria, 1975-2010



Source: National datasets from Statistical Offices and UNSD datasets.

As depicted in figure 11, the noted trends yield a regional structural transformation pattern that contrasts sharply with other developing regions. Herein lies the Arab structural economic problem: stagnating shares of agricultural and manufacturing sectors (albeit with a slight increase in the latter due to a rise in contributions from the manufacturing sector, particularly petrochemical industries in GCC), a rapidly expanding service sector (but as we shall see, concentrated mainly in low value-added activities) and a still leading, though declining, oil sector.

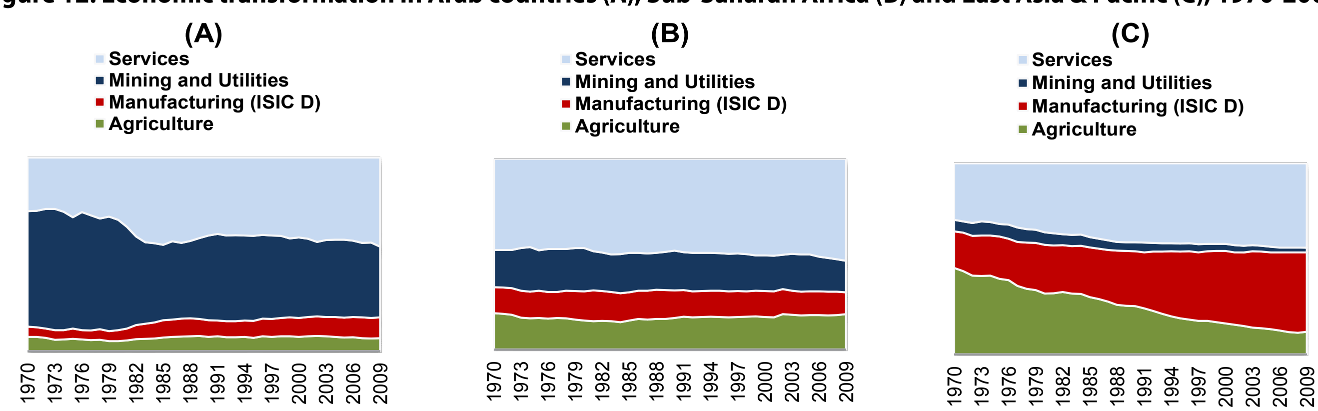
Figure 11: Economic transformation in Egypt (A) and Syria (B), 1970-2009



Source: ibid

In synthesis, oil revenues have supported a service-led pattern of economic development at the expense of productive sectors, which renders the region as the least industrialized among developing regions, including Sub-Saharan Africa. The latter, along with Latin America, did not experience much transformation relative to the three other developing regions. This is expected, given that Latin America's economic transition started much earlier and had already matured by the early 1970s and that the contribution of agriculture to GDP had already reached a minimum. The more erratic shape of the Arab economic transformation during the early period is also symptomatic of the large boom in service and construction sectors that ensued in the late 1970s and early 1980s driven by the massive wealth accumulated as a result of rising oil prices.

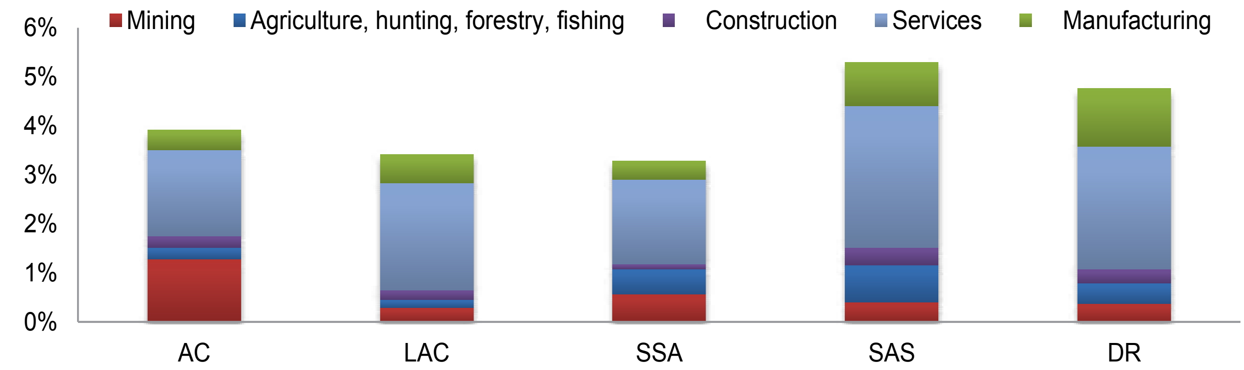
Figure 12: Economic transformation in Arab countries (A), Sub-Saharan Africa (B) and East Asia & Pacific (C), 1970-2009



Source: ibid
Note: Arab countries included are Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia and Yemen

Oil resources have delayed the normal process of economic transformation in the Arab region. This led to retarded productive capacities and to a more rudimentary economic structure relative to what one would expect for the Arab countries level of GDP per capita. Figure 13 reports average annual growth rates of value-added, broken down into the contributions of broad sectors. These broad sectors are (1) agriculture, hunting, forestry, fishing; (2) mining; (3) manufacturing; (4) construction; and (5) services. Services and manufacturing are the main contributors to the expansion of value-added for all developing countries, with 2.3 and 1.1 percentage points, respectively. In Arab countries, 1.7 percentage points of growth of value-added comes from services and only 0.4 percentage points from manufacturing. Mining, on the other hand, added 1.3 percentage points to growth in Arab countries, compared to only 0.3 percentage points in developing countries as a whole. Agriculture makes an insignificant contribution to growth in the Arab region and the larger group of developing countries.

Figure 13: Sectoral composition of growth rate of value-added for the developing regions, 1970-2009



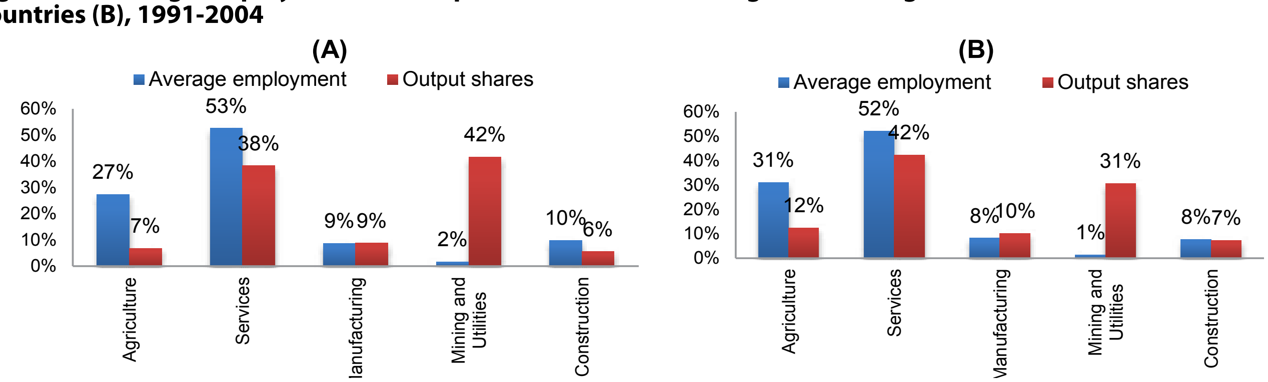
Source: ibid.
Note: Arab countries included are same as figure 12.

Fluctuations in performance of the mining sector have been driven by oil price movements and have defined the growth performance of Arab countries. In the 1970s, the mining sector alone accounted for 4.3 percentage points of the total growth of 8%. In the GCC, the mining sector added almost half of the 11% growth in economy-wide value-added during that period. The situation reversed sharply in the 1980s when the collapse of oil prices caused a contraction in the mining sector's output.

As these trends illustrate, dependence on oil revenues has left Arab economies structurally weak, exposed as they are to the vagaries of international oil markets. Consequently, for the last four decades, economic growth has been more erratic than for other developing regions. The highest source of growth volatility originated from the mining sector, followed by agriculture, construction and service sectors, respectively. This high volatility of agriculture is not surprising given its reliance on increasingly erratic rainfall. Construction and services are volatile due to their dependence on oil revenues in most Arab countries.

Incomplete economic transformation of the Arab region and oil-led patterns of development have created a situation in which high productivity jobs have been scarce. Figure 14 shows the output shares and contribution to employment of key economic sectors for the Arab region and for the region minus GCC. Even though the economies of non-GCC countries are less dominated by oil and gas, mining and utilities still account for 31% of GDP while only providing jobs for 1% of the population. At the same time, manufacturing remains very much marginal, only contributing 10% of GDP and employing 8% of the workforce. One tragedy is the limited contribution of agriculture (12%) to GDP while the sector continues to employ around 30% of the population. This reflects the technological stagnation of the sector, which leads to a relative decline of the productivity per person of the sector.

Figure 14: Average employment and output shares of the Arab region including GCC countries (A) and without GCC countries (B), 1991-2004



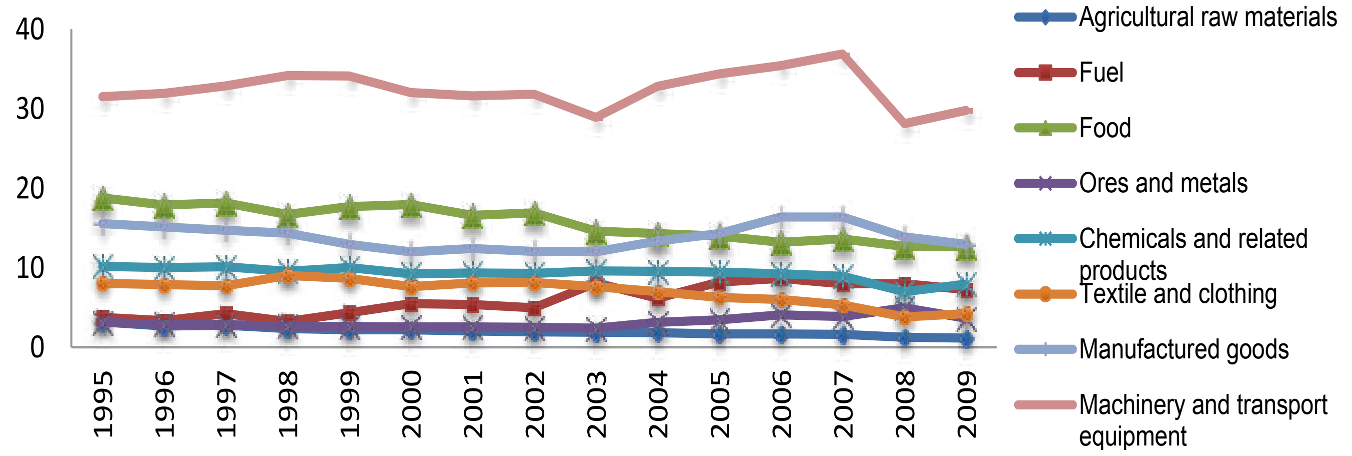
Source: Authors' estimates based on ILO, Global Employment Trends (GET) Model and National accounts-UNSD for output.
Note: Includes all Arab countries except Djibouti and Occupied Palestinian Territory.

Many Arab countries are increasingly turning into import-oriented and service-based economies, with services accounting for the highest share of GDP in the region, excluding GCC (42%) and the major share of employment at 52%. The types of services found in Arab countries fall at the low end of the value chain, contribute little to local knowledge development and lock countries into inferior positions in global markets. This trend, which has been at the expense of Arab agriculture and industrial production, is therefore of concern. The following section highlights this further by focusing on trade and industry.

Production and exports concentrated in low value-added goods and services

Trade is integral to the economies of the Arab region. According to data from the World Bank and UNSD, the ratio of trade (exports plus imports) to GDP of the region[11] averaged 84% in the 2000s, one of the highest ratios among developing regions and was significantly higher than the early 1980s (approximately 60%).[12] Since the 1980s, most Arab countries initiated trade reforms that boosted non-oil exports. However, the increased market access benefited mostly industries with static comparative advantage, particularly those closely linked with petroleum. By and large, the increased intensity of trade has not been indicative of a successful integration into the global economy. The Arab region continues to host a rather primitive export structure, predominantly composed of primary products (fuel exports comprising 70% of exports). This stands in contrast to the import structure, which has remained diversified by comparison (Figure 15).

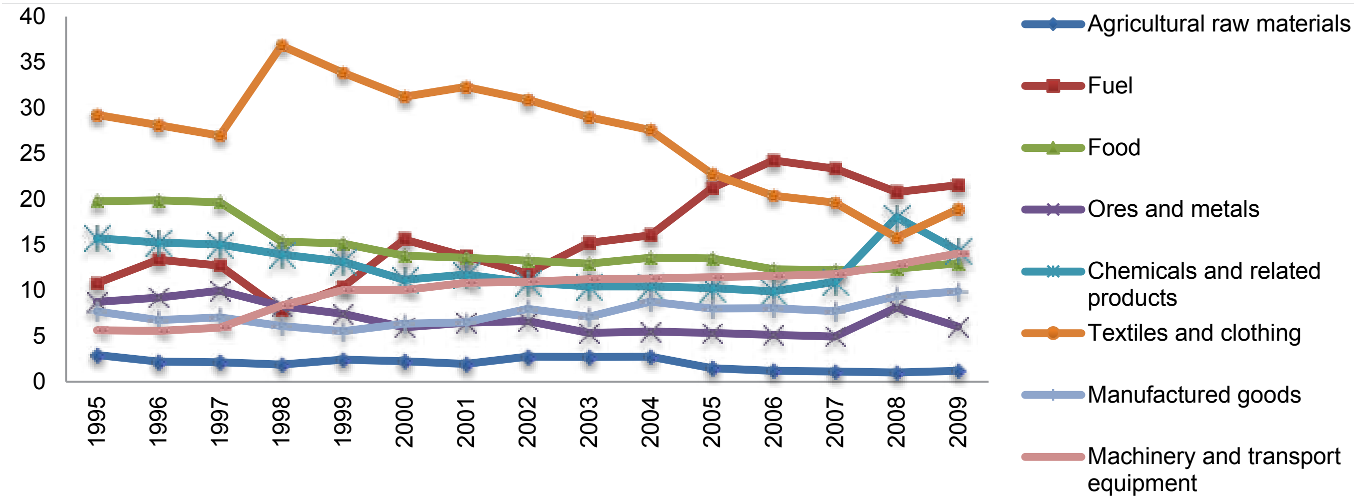
Figure 15: Structure of merchandise imports (% of total merchandise imports) for Arab countries, 1995-2009



Source: Authors' estimates based on data from WDI, UNSD and WTO datasets.
Notes: 1) Arab Countries included are Egypt, Jordan, Kuwait, Morocco, Oman, Saudi Arabia and Tunisia. 2) Refer to background paper "Is there Space for Development Friendly Trade and Industrial Policies in Arab Countries" by Abu-Ismail, et.al. for further details on data.

For the majority of oil-rich countries, fuel exports account for well above 80% of total merchandise exports. Oman has the lowest share of fuel exports at 81% and a relatively diversified structure of non-oil exports, including machinery and transport equipment, consistent with its economy exhibiting signs of a positive structural transformation. As reflected in Figure 16, the export structure of oil-poor countries is more diversified, yet was dominated by textile and clothing up to 2005. The subsector has witnessed declining exports since 1998, largely due to the phasing out of preferential trade arrangements, such as the multi-fibre agreement. The evolution of trade has been marked by major divergences amongst different members of this group. For example, while Egypt experienced the steepest plunge, Jordan witnessed an increase in the share of its textile and clothing exports, most likely as a result of the QIZ (qualifying industrial zones) agreement with the USA. The relative demise of textiles and clothing is not in itself cause for alarm. What is more worrying is the reflection of structural retardation of the region in terms of the very slow rate of increase in high value-added exports, such as machinery and equipment.

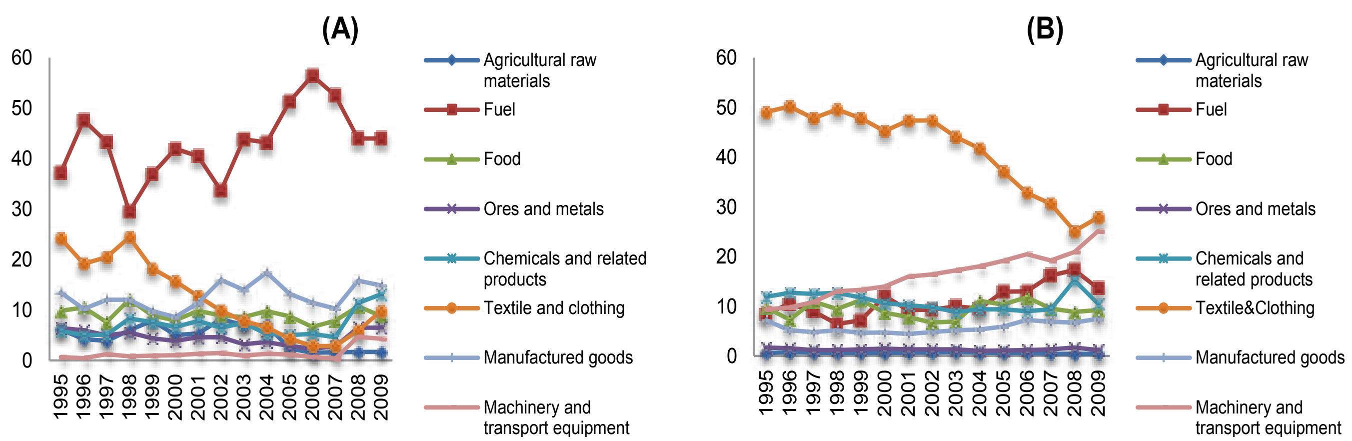
Figure 16: Structure of commodity exports for oil-poor countries, 1995-2009



Source: Authors' estimates based on data from UN Comtrade dataset.
Note: Oil-poor countries included are Jordan, Egypt, Morocco and Tunisia

Tunisia hosts the highest share of machinery and transport equipment exports (including telecommunications equipment, automatic data processing machines, electrical machinery, etc.). Morocco, despite being a late-comer, has also achieved a significant increase in the share of this technology-intensive sector in total merchandise exports from 3% in 1995 to 19% in 2009. Despite some fluctuations, Jordan's share of machinery, transport and merchandise exports has remained rather stagnant since 1995. In the context of an economy more heavily based on petrochemical and chemical industries, this trend was far less pronounced in Egypt. Thus, Egypt's export structure is clearly less diversified today than many of the smaller Arab non-oil economies that looked up to it as a model for industrial development during the 1960s and 1970s. Figure 17 compares and reveals the commodity export structures of Egypt and Tunisia.

Figure 17: Structure of commodity exports for Egypt (A) and Tunisia (B), 1995-2009

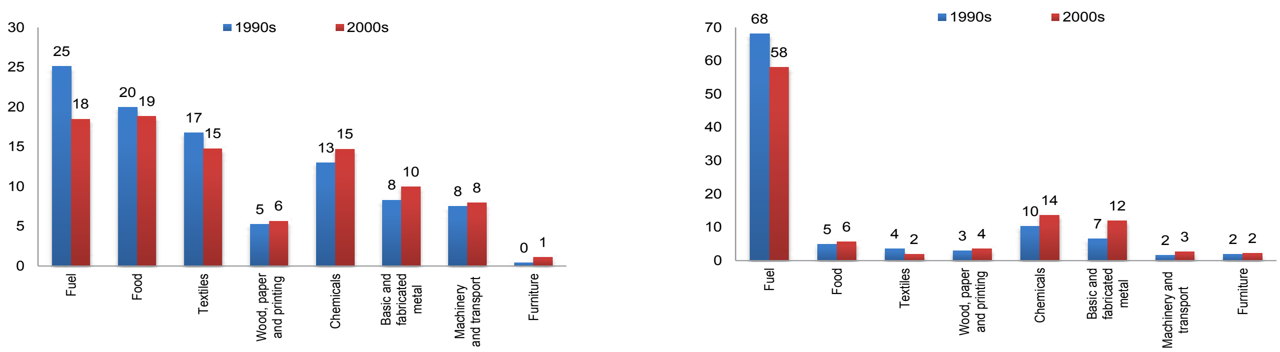


Source: ibid.

Underlying this generally weak trade performance of the Arab region is a weak manufacturing sector. As noted earlier, the region is the least industrialized region of the world, with industry accounting for a meagre 12% of the region's GDP, the lowest amongst all developing regions. Moreover, this small share is heavily concentrated in the production of lower value-added petroleum related products and food, chemical and rubber and plastic products, which together make up nearly 60% of the total manufacturing output of the region[13] (Figure 18).

Figure 18: Structure of manufacturing for oil-poor (A) and oil-rich countries (B) in 1990s and 2000s

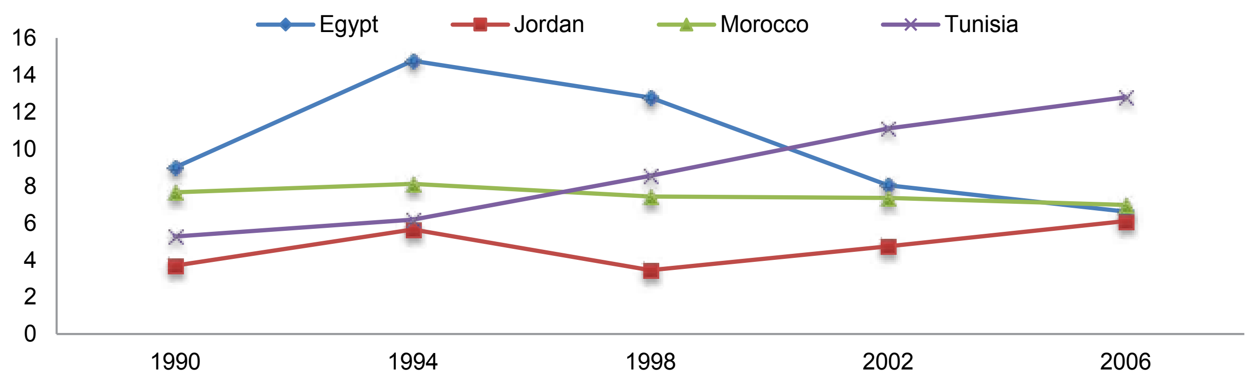
(A) (B)



Source: Authors' estimates based on UNIDO and UNSD online datasets.
Note: Oil-poor countries included are Jordan, Egypt, Morocco and Tunisia. Oil-rich countries included are Kuwait, Oman and Qatar.

Despite the overwhelming share of petroleum industries, Arab countries, including oil-rich countries, are diversifying into other sectors, such as food and beverage and metals industries. The industry profiles of Jordan, Morocco and Tunisia, in line with the increasing trend in the share of machinery and transport exports, show a clear increase in the share of machinery and equipment output. The translation of this increase in share of manufacturing into an increase in the share of exports could be interpreted as an indication of gains in competitiveness for these countries. However, Tunisia appears to be the main driver of this trend as the share of this technology-intensive sector increased from 5.3% to 12.8% of total manufacturing over the 16 year period (Figure 19). Simultaneously, aided by foreign investment, this sector's contribution to Tunisia's merchandise exports nearly trebled to reach 25.1% in 2009. It is also interesting to note that the share of Tunisia's machinery imports did not increase over the same period. Thus, Tunisia defies the regional trend in several aspects and confirms its place as an economy that underwent a meaningful structural transformation.

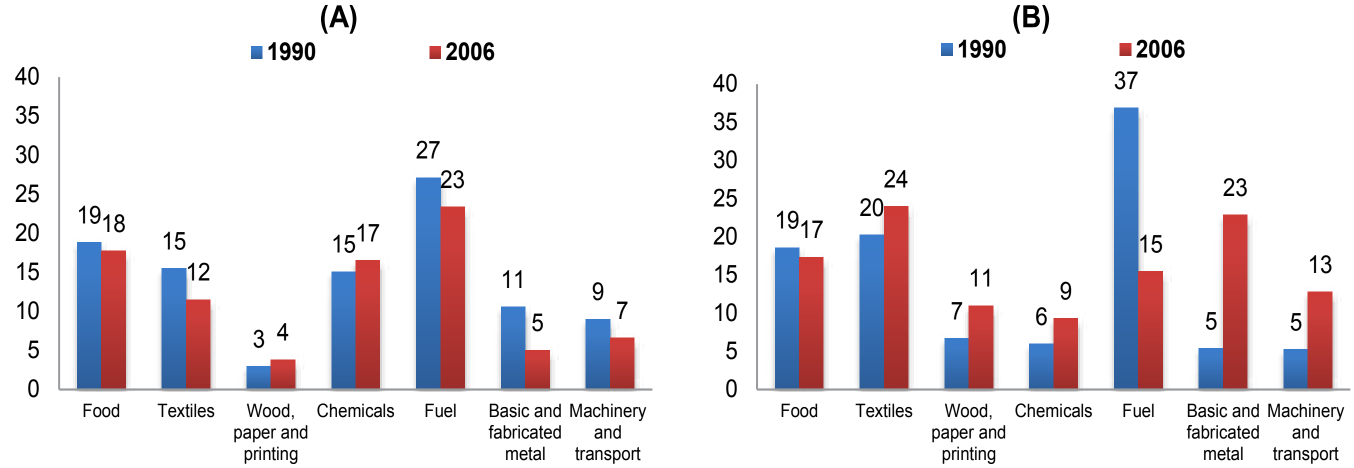
Figure 19: Machinery and equipment as a share of total manufacturing output, 1990-2006



Source: Authors' estimates based on online UNIDO datasets

The textiles and clothing sector makes up the second highest share of the manufacturing sector of oil-poor countries. Since 1990, Egypt and Morocco in particular have witnessed a decline in the share of textile industries in their total manufacturing from 15.5% and 17.3% to 11.5% and 14% respectively. The concomitant decline in the share of this sub-sector in total exports, a decline especially dramatic for Egypt, is an indication of the lack of competitiveness of the Arab textile industry. Given its industrial profile, it is not surprising that a major portion of Egypt's exports is taken up by lower value-added petroleum, mineral and chemical products (Figure 20. A). To sum up, for much of the region, including Egypt as its largest country, the transition to indiscriminate premature liberalization at a time of low productivity levels has rendered manufacturing uncompetitive and exports concentrated in primitive products and natural resources.

Figure 20: Manufacturing base for Egypt (A) and Tunisia (B) in 1990 and 2006

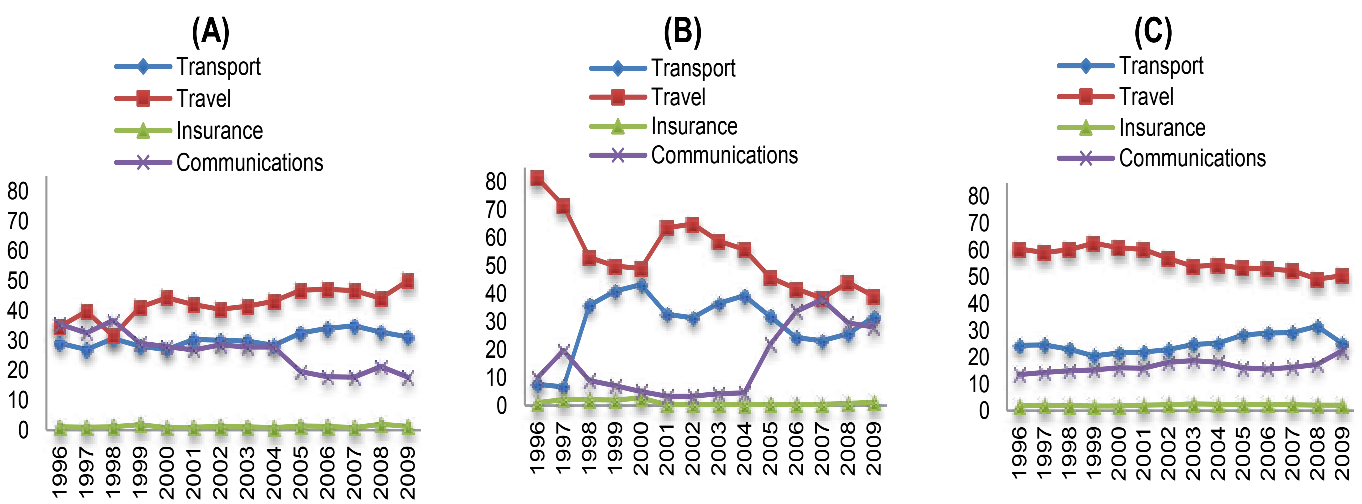


Source: ibid

The trend is broadly similar for trade in services, as the majority of Arab economies specialize in low value-added services such as travel and transport as opposed to the more vibrant communications and financial services. Still, there are clear distinctions between oil rich and poor economies as services play a less important role for the latter (8-10% of total exports in the 2000s). For oil-poor countries the corresponding share was 45% in 2009. Within oil-rich countries, the structure of service exports appears to be more balanced for Oman. Indeed from 1996 onwards, Oman was able to diversify its base of service export from one that is almost entirely reliant on travel and tourism to one where tourism, transport and communications services have relatively equal shares.

Finally, some of the important demarcations amongst the economies identified in our analysis of commodity trade that resonate in services are worth mentioning. In this respect, the distinction between Egypt and Tunisia is quite remarkable. The former has witnessed a large decrease in the share of higher value added communications and computer services in exports and has become more reliant on tourism. Since 1995, Tunisia's service export sector has provided a larger contribution from the more dynamic sectors such as transport and communications services, which are crucial for the promotion of a knowledge-based economy.

Figure 21: Structure of service exports for Egypt (A), Oman (B) and Tunisia (C), 1996-2009



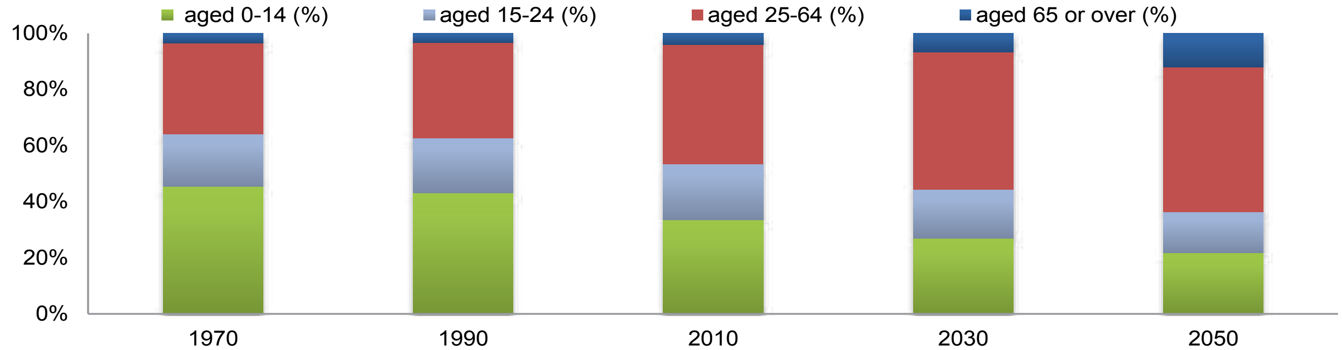
Source: WDI databases

Employment, Social Protection and Fiscal Policy

Employment gains despite demographic pressure

We begin by reviewing demographic factors in order to understand the dynamics that have been systematically creating high rates of unemployment in the Arab region. The average life expectancy at birth in all countries in the region is 70 years or higher, except for the five poorest countries, namely Mauritania (55), Comoros (64), Djibouti (54), Sudan (56.7) and Yemen (61.7). With an average of 3.1 children per woman, the region's population is set to continue to grow rapidly into the foreseeable future. The highest fertility rate is observed in Yemen (5.9) and the lowest in Tunisia (2.0), followed by Lebanon (2.3), Kuwait and the United Arab Emirates (both 2.4).

Figure 22: Age structure of population for Arab countries, 1970-2050

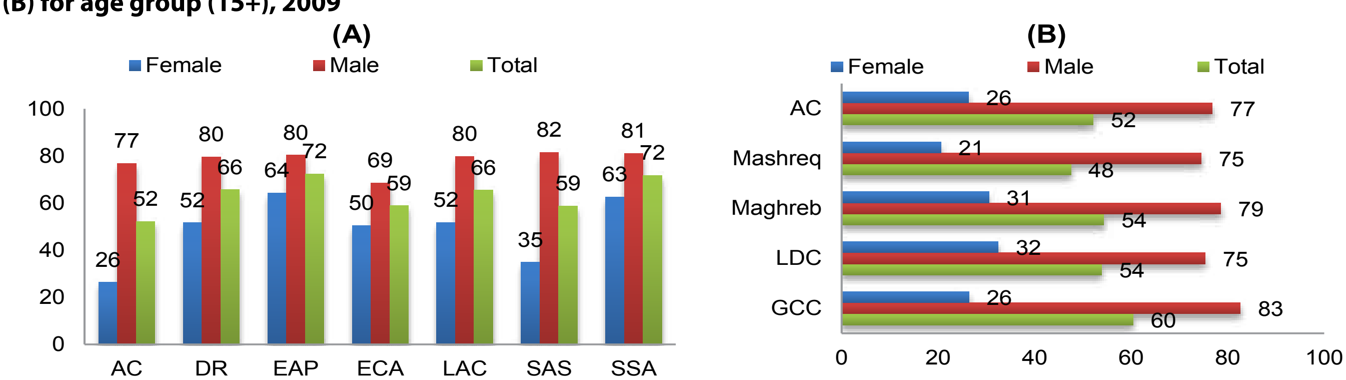


Source: Authors' estimates based on data from World Population Prospects: The 2010 Revision, UN Population division
Note: All Arab countries are included in the regional average.

The Arab region is at a relatively early stage in its demographic transition, which translates into a sustained pattern of increase in the working-age population. As illustrated in figure 22, the share of working-age population (15-64) in total has increased from 51% in 1970 to 62.45% by 2010 and is expected to peak at 66% in the year 2040 and decline to 65% by 2050. As the onset of fertility decline is relatively recent, the process of aging is still one decade away, with the share of people aged 65 and above expected to increase more rapidly by 2020. This means that by 2050, the proportion of older people aged 65 or over is projected to quadruple compared to 1980.

Rather than being seized as an opportunity, the increase of the region's working-age population has been preoccupying Arab policy makers as a major challenge. As a corollary, the region has one of the highest labour-force growth rates in the world, exceeding 3% per annum. Thus, Arab countries have witnessed a considerable increase in the share of labour forces in their total population during the period 1995 to 2009.

Figure 23: Labour force participation rates, Arab countries versus other developing regions (A), across sub-regions (B) for age group (15+), 2009



Source: Authors' estimates based on ILO Kilmnet dataset.
Notes: 1) Refer to background paper "Employment, Vulnerability, Social Protection and the Crisis of the Crisis of Arab Economic Reforms" by Abu-Ismail, et. al. for further details on data and methodology.
2) Arab Countries included are GCC (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE), LDCs (Comoros, Djibouti, Mauritania, Somalia Sudan and Yemen), Maghreb (Algeria, Libya, Morocco and Tunisia) and Mashreq (Egypt, Iraq, Jordan, Lebanon and Syria)

The labour force participation rate, which is a measure of how well a society makes use of its working-age population, has gone up slightly in the Arab region since 1970, but still remains one of the lowest in the world. This is largely due to extremely low rates of participation for Arab women who are still facing high barriers to labour market entry. At 52%, the Arab labour force participation rate is much lower than the prevailing rate for developing regions (61%). The gap is even more significant for the rate of female labour force participation (26.3% compared to 53% in developing regions).

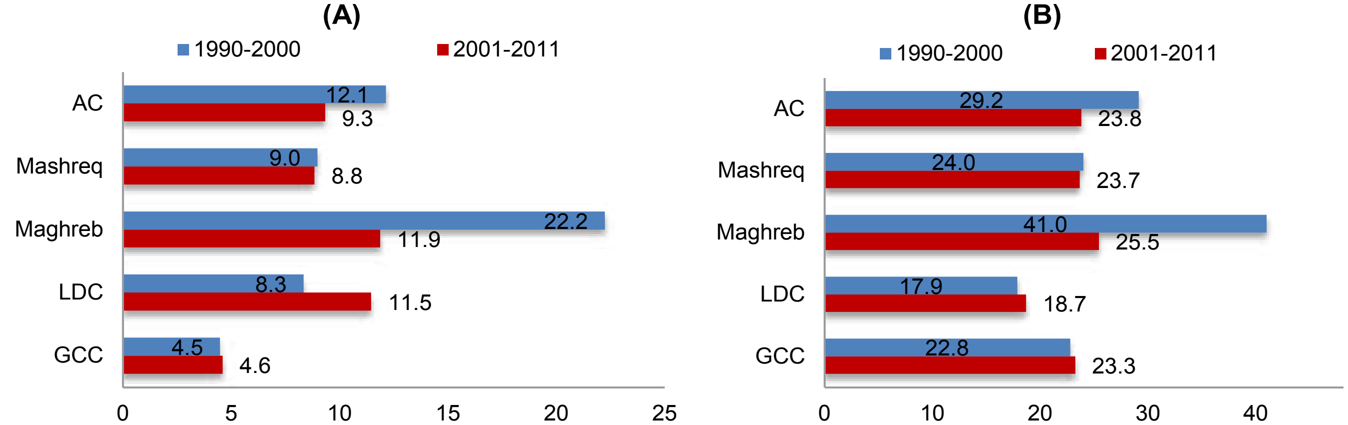
Between 1991 and 2009, employment in Arab countries demonstrated an impressive average annual growth of 3.3%, amongst the highest in developing regions. This apparently positive trend, however, is due to the poor growth in labour productivity in the region, calculated at only 2% by ILO[14] compared to 7.6% for East Asia. Thus, in the Arab region the 3.3% increase in employment was associated with a GDP growth rate of 6%, while the same 6% average growth in Asia was associated with an increase in employment of only 1.9%.

As a result, the employment-to-population ratio[15] rose from 44.2% to 46%, though it remains the lowest in the world. Women have benefited more from the rise in employment with an average annual growth of 4.4% compared to 3% for men. This has somewhat reduced the gender gap in the Arab employment-to-population ratio, but the gap is still the widest among developing regions. According to ILO data, in 2008, five of the ten lowest employment-to-population ratios were found in the Arab region, namely in Iraq, Jordan, Tunisia, Yemen and the Occupied Palestinian Territory.

Employment growth for young people has also been quite impressive in Arab countries, which recorded the second highest growth rate (following Sub-Saharan Africa) among developing regions. Yet, as their population growth was significantly above the growth in employment, the overall youth employment-to-population ratio for the Arab region fell from 27.19% to 24.3% in the period from 1991 to 2009. Again, this is the lowest among developing regions (with an average of 45% in 2009). Furthermore, the gender gap in employment is equally striking for youth. In 2009, only 14 out of every 100 young women were employed, compared to 41 out of every 100 young men.

Despite rapid growth in employment, the Arab region continues to have one of the highest unemployment rates in the world (9.3% in 2001-2011 versus 6.6% for developing regions), though the rate was lower than during the 1990s (12%). This decrease in the unemployment rate is largely due to the substantial decline witnessed in the Maghreb region (from an average unemployment rate of 22% to 12%) driven mainly by the decline in unemployment in Algeria. In contrast, LDCs experienced an increase in unemployment rates (from 8% to 11%). The unemployment rate in GCC and Mashreq countries also increased slightly (from 4.5% to 4.6% and 9.3% to 9.8% respectively).

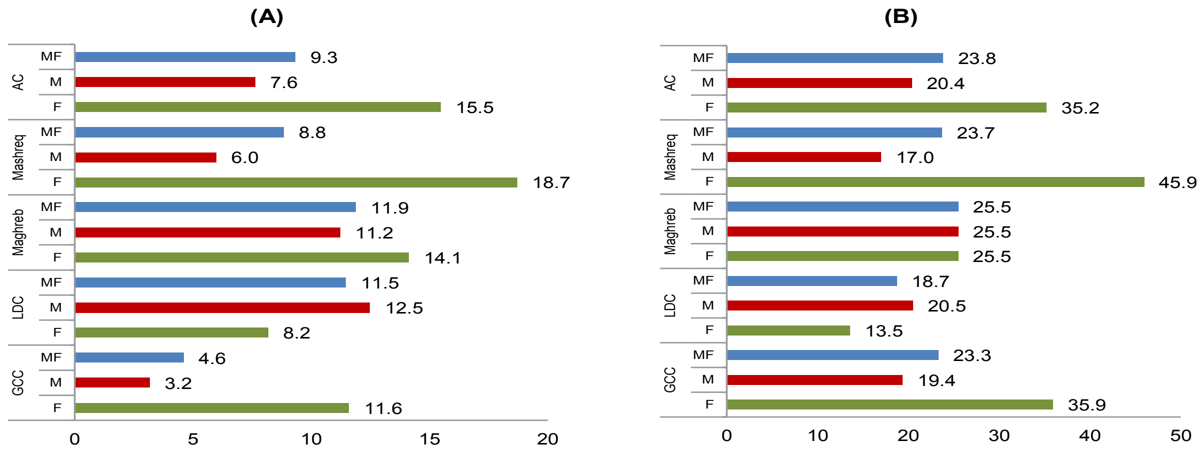
Figure 24: Overall unemployment rates (A) and youth unemployment rates (B) for Arab countries and sub regions, 1990-2000 and 2001-2011



Source: Authors' estimates based on ILO Kilmnet dataset and Tunisia National Labour Survey 2011, National Institute of Statistics)
Notes: 1) Arab countries included are GCC (Bahrain 1991 and 2001, Kuwait 1995 and 2005, Saudi Arabia 2002 and 2008, UAE 1995 and 2008, LDCs (Yemen 1994 and 1999), Maghreb (Algeria 2001 and 2008, Morocco 1990 and 2009, Tunisia 1997 and 2011 and Mashreq (Egypt 1998 and 2007, Lebanon 2004 and 2007, Syria 2002 and 2010).

Unemployment is particularly high among youth in the Arab region (15-24 age groups) where youth unemployment based on estimates derived from ILO and UN data reached 24% in 2005-2011 (more than double the world average of 11.9%), accounting for more than 50% of the total Arab unemployed. One of the main reasons for a high youth unemployment rate is the problematic transition from school to work, particularly among university graduates.

Figure 25: Total (A) and youth unemployment rates (B) for Arab sub-regions by gender, 2001-2011



Source: ibid
Note: 1) Arab countries included are same as figure 24, 2) for Tunisia and Algeria same share of male and female to total youth unemployed and total labour force were used for computing youth unemployment figures for 2008 and 2011 respectively.

Arab unemployment is gender biased. Figure 25 shows that unemployment rates for Arab women are the highest compared to world regions and the gap between male and female remains high (though it has recently narrowed). Arab women's unemployment rate is double that of Arab men (16% and 8% respectively). The problem is particularly acute amongst younger women who are joining the labour force in ever larger numbers because of their increasing participation in higher education and rising average age of marriage. The average unemployment rate for young Arab women is estimated at 35%, according to the most recent surveys (2004-2011), compared to 20% for young men.

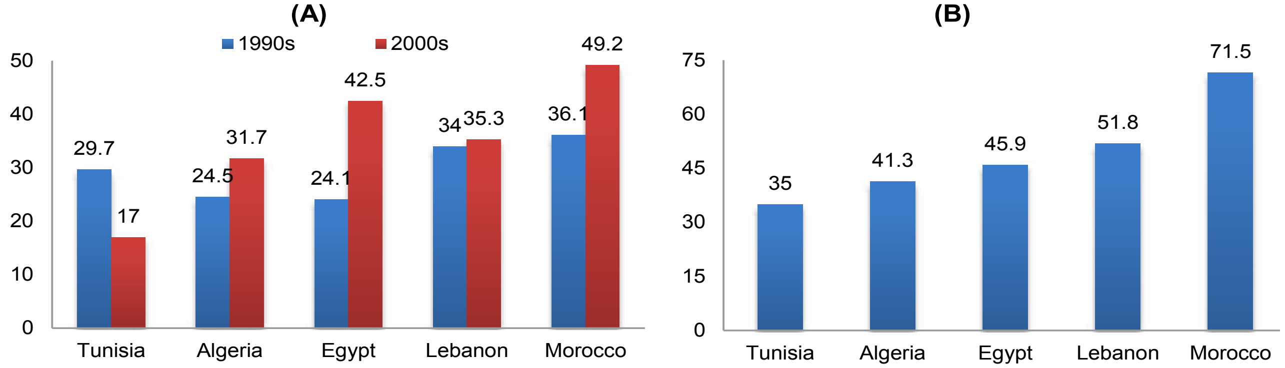
The above data reflects more than the failure of Arab economies to generate sufficient jobs; it points as well to the social biases against women (AHDR 2009). While there seems to be a high correlation between women's educational levels and increased labour force participation rates, even educated women have difficulty finding decent jobs. This is reflected in the unemployment figures as well as the growing phenomenon of "discouraged workers"[16] in the region.

There are also sharp gender-related differences in jobs held by women and men. Women are mainly concentrated in social, personal and community services, especially in GCC and Mashreq regions, while in LDC and Maghreb countries most work in agriculture. As noted in the first ADCR, such patterns of employment reinforce to a great extent the traditional division of labour.

An even more alarming feature of the Arab labour market is its increasing 'informality.' The concept of informality is a difficult one to measure. Among its many definitions, the one used here is offered by OECD as "non-coverage by social protection." (See Box 4 for further details on the definition of informal employment and the informal sector) It is measured by the response to the question on social insurance coverage in labour force surveys. However, it is only recently that labour force surveys have included this type of question; hence data is not available for earlier years.

Figure 26 shows that self-employment, as a proxy for vulnerable employment, has increased in all Arab middle income countries for which we have data for two points in time in the recent past, with the notable exception of Tunisia. Unfortunately, the data on informality is only available for one point in time and assessments about trends in informality over time have to be based on proxy measures.

Figure 26: Self-employed in non-agricultural employment (A), 1990s-2000s and share of informal employment in total non-agricultural employment (B), 2000-2007

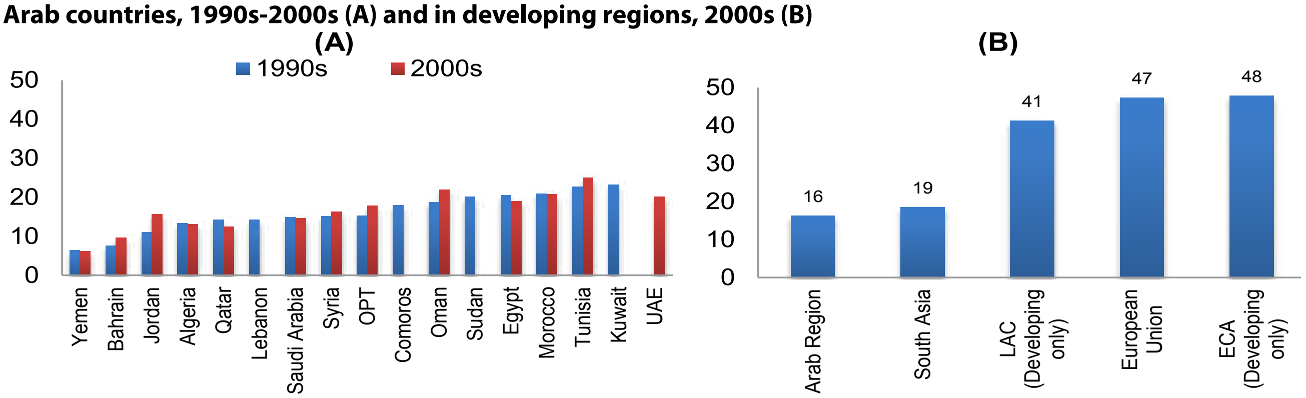


Source: Tzannatos 2009

The above-noted data clearly show a certain correlation between the share of population engaged in self-employment and informality, with countries having similar ranks based on both criteria. We can thus conclude that informal employment has probably grown in most countries of the Arab region during the last two decades. Data are incomplete, but what is available shows that the share of formal economy employees in the total labour force (which is used as a proxy for formalization) hardly exceeds 60%. There is a wide variation between the Gulf states where formalization reaches more than 90% on average and other Arab countries with formalization rates of around 50%.

Finally, Arab women bear a significant share of the weight of vulnerable employment. Figure 27 based on data from the World Bank, shows that the share of women in non-agricultural employment is extremely low. At less than 20%, it is the lowest amongst developing regions. Even Tunisia, where the share is the highest, still lags behind the average for developing regions. What is more concerning is that this share has remained relatively constant since the 1990s.

Figure 27: Share of women employed in the non-agricultural sector (percentage of total non-agricultural employment) in Arab countries, 1990s-2000s (A) and in developing regions, 2000s (B)



Source: Authors' estimates based on WDI online datasets

The Arab region has continued to invest heavily in education since the 1960s, devoting roughly 4.8% of GDP to education over the period 2006-2009.[17] Although this has helped to increase the average years of schooling in the region from 1.1 in 1960 to 5.9 in 2011[18] , the weighted average adult literacy rate only reached 72.9% by 2005- 2010[19] . The educational system in the Arab region suffers from well-known quality issues that do not equip youth with the tools they need to succeed in the modern world, including joining the mainstream of economic activity. The regulatory environment in some of the countries does not encourage private investment in vocational and tertiary skill development as has been the case in some other regions, e.g. IT services and technical colleges in India. The region has failed to sustain job-creating growth and faces an explosive situation of youth unemployment particularly acute amongst the educated.

Box 4 Informal sector and the difference between employment in the informal sector and informal employment

The 15th International Conference of Labour Statisticians held in January 1993 defines the informal sector as "consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations - where they exist - are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees."

The informal sector is thus statistically defined as comprising household unincorporated enterprises with market production that are: informal own account enterprises (those that are not registered under specific forms of national legislation); enterprises of informal employers (those with less than a specified level of employment and/or not registered and/or employees not registered).

According to the definition agreed upon by the 15th International Conference of Labour Statisticians (ICLS), informal sector employment is dependent on the nature of the production unit, i.e. a person is counted as employed in the informal sector if they are employed in what constitutes as an informal sector enterprise, regardless of employment status (self-employment, etc.).

In the 17th ICLS, guidelines concerning a statistical definition of informal employment were unanimously accepted by participants. While acknowledging that the relevance and meaning of informal employment varied among countries, the ICLS expected that such guidelines would help countries to develop national definitions of informal employment and enhance international comparability.

Accordingly, the 17th ICLS recommends for inclusion in the measurement of informal employment:
Own-account workers (self-employed with no employees) in their own informal sector enterprises;
Employers (self-employed with employees) in their own informal sector enterprises;
- Contributing family workers, irrespective of type of enterprise;
- Members of informal producers' cooperatives (not established as legal entities);
- Employees holding informal jobs as defined according to the employment relationship (in law or in practice, jobs not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (paid annual or sick leave, etc.);
- Own-account workers engaged in production of goods exclusively for own final use by their household.

Source: Kilmnet glossaries http://kilm.ilo.org/KILMnetBeta/pdf/kilm07EN-2009.pdf
Note: For full details on the concept of informal employment, its history and measurement, see R. Hussmanns: "Measuring the informal economy: From employment in the informal sector to informal employment", Integration Working Paper, No. 53 (ILO, Geneva, December 2004); http://www.ilo.org/public/libdoc/ilo/2005/105B09_37_engl.pdf.

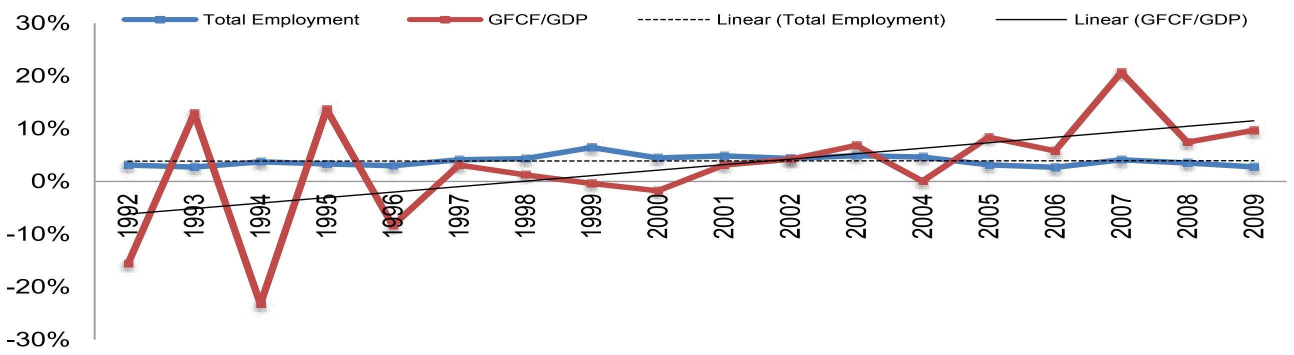
However, evidence suggests that Arab unemployment is fundamentally a demand-side problem. EL-Mattrawy and Semmler (2006) argue that in Egypt's case, the growth return of education is low since misguided policies do not enable the country to translate the accumulated knowledge into ideas, innovations and new productive activities. As the authors note, ultimately this means that the country must also encourage productive investment so that the skilled and educated can find employment. Indeed, as argued in the following section, the build-up of human capital can foster technological progress and consequently, can increase productivity and output only if there is a sufficient rate of job creation.

Demand-side constraints to Arab employment

Employment creation is often closely associated with output growth and fixed capital formation. This means that unsatisfactory labour market outcomes are primarily due to unfavourable macroeconomic conditions that inhibit investment in fixed capital and productivity growth and to inadequate growth of labour income, which constitutes the most important source of domestic demand. Figure 28 shows the growth in gross fixed capital formation as a share of GDP (constant 2005 prices) as well as growth in total employment for the Arab region. It shows a constant trend for employment growth accompanied by a slightly upward trend for gross fixed capital formation. This suggests a decline in the ability of investment to generate employment.

Some have argued that low ability of investment to generate employment is mainly due to the low quality of education and the mismatch between educational outcomes and market demand. As argued earlier it is the dynamics of oil-led growth that skewed growth away from productive employment, which are largely responsible for the employment crisis in Arab countries. The limited demand for educated workers and skills can be inferred from many different symptoms in the labour market. First, educated workers get a relatively low wage premium when employed, while the Arab region has one of the highest skilled emigration rates in the World[20] , suggesting they have skills that are in demand elsewhere, often in more technologically advanced countries (e.g. OECD economies or better jobs in the GCC economies). Second and contrary to what one would expect, if firms faced skills shortages (a common complaint of employers against the low quality and irrelevance of the educational system) then they would have to compensate for it by providing training to their employees; while Arab firms provide the lowest levels of training globally.

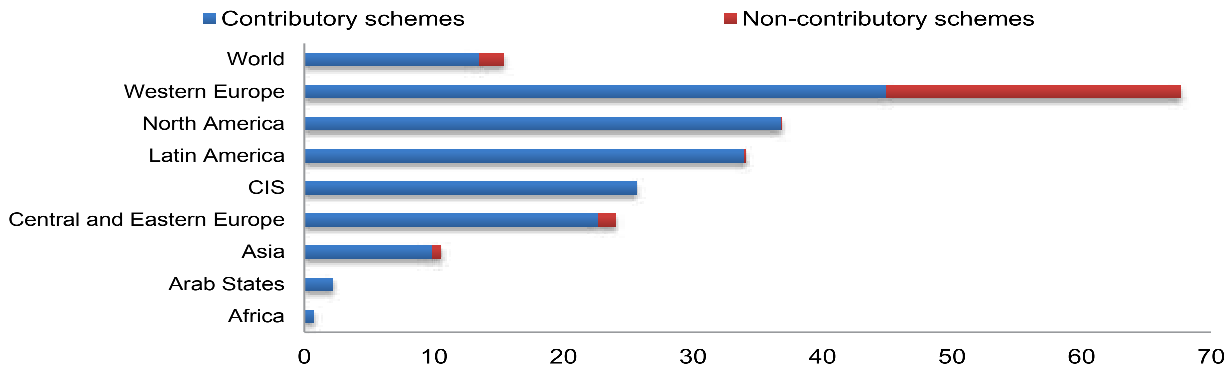
Figure 28: Growth of employment and gross fixed capital formation in Arab countries, 1991-2008



Source: Authors' estimates based on ILO Kilmnet and WDI online datasets.

A related comment on unemployment in the Arab region is that it is present in both low-income and high-income households.[21] This is not an unexpected finding as it correlates to the high unemployment rates of more educated workers who come predominantly from wealthier families. It further substantiates the contention that the economy does not generate decent jobs acceptable to most workers, be they youth or adults.

Figure 29: Percentage of unemployed with unemployment benefits (contributory and non-contributory), 2011



Source: Tzannatos, Haq and Schmidt, 2011.
Note: Regional estimates are weighted by labour force, 2009

In addition, there is little protection for those who are unemployed. Only a few countries, such as Algeria and Tunisia, have some variant of a general unemployment compensation plan. Bahrain also extends unemployment benefits to first-time job seekers. Kuwait introduced a social assistance plan for first-time job seekers in 2003 whereby nationals who declared they wanted to work but were unemployed received a monthly allowance for a period of up to one year. Saudi Arabia has recently introduced a system of unemployment allowances for nationals. Jordan and Syria are considering the introduction of various forms of unemployment compensation and assistance. Still, the coverage of unemployment compensation in the region remains the lowest in the world (Figure 29).

The employment challenge can therefore only be addressed through policies that carefully manage the demand-side and enhance labour insurance. However, before delving into the policy agenda, it would be useful to g¬rasp the rough order of magnitude of jobs and investment required over the medium and long term in order to assess the contours of the required macroeconomic policy shift.

Three different scenarios were analyzed to project the number of jobs needed. The first scenario projects the number of jobs required if the Arab region is to keep the unemployment rate constant with no change in the labour force participation rate. In the second scenario we estimate the number of jobs required to reach half the unemployment rate. The third, which is the best case scenario, calculates the number of jobs required to reach half the unemployment and raise the women's labour force participation rate to reach 35% (which is still 15% below the average for developing regions). To do this exercise we relied on the projected rates of growth of the working-age population by the UN and unemployment rates, labour force participation rates and employment to population ratios reported by the ILO. The number of jobs required under the three scenarios is estimated over three periods: 2011-2015, 2011-2020 and 2011-2030. The order of magnitude of the results indicates an overwhelming task ahead of Arab countries. According to the first scenario, the region (represented by Algeria, Egypt, Jordan, Lebanon, Mauritania, Morocco, Syria, Tunisia and Yemen) needs to generate 6.1, 13.6 and 28.6 million jobs by 2015, 2020 and 2030, respectively. For the second scenario, the number of jobs required increases to 15.4, 24.1 and 40.8 million, while for the third scenario; it reaches a staggering 24.7, 47.1 and 91.8 million for the periods up to 2015, 2020 and 2030, respectively.[22]

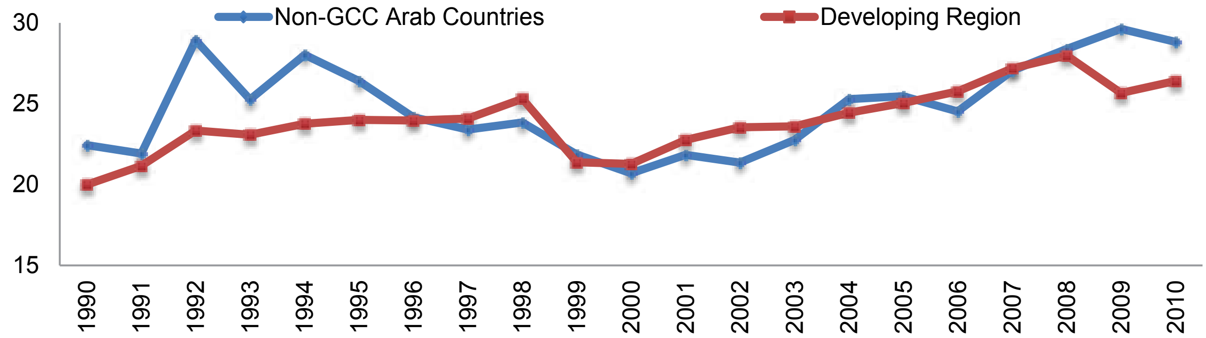
Using the above data on employment, we can easily estimate the order of magnitude of investment needed to generate the required job opportunities. By dividing the sum of total gross fixed capital formation (constant 2005 prices) during the time period of 2004-2008 by the total number of new jobs in the same period, we observe a relatively high average investment cost per employment opportunity created at approximately $100,000 (but still significantly lower than Latin America, Europe and East Asia). Excluding the GCC, where the investment required per job exceeds $400,000, the regional average drops to approximately $48,000.[23] Simple calculations show that the total investment bill for the region (excluding the GCC) required to reach full and productive employment by 2030 (scenario three) will reach $4.4 trillion (in constant 2005 prices). This implies an average annual investment bill of $220 billion, which is 50% of the GDP of these countries in 2009 (against an average investment to GDP ratio of 27.8% for 2004-2009). The required rate of investment is substantially higher for LDCs at around 100% of GDP, clearly requiring significant external support for its realization. For middle income countries, however, the desired rate of investment is well within reach at around 40% of GDP.

The above discussion does not factor in the additional cost of upgrading the conditions of the working poor whose number runs into tens of millions. It further assumes the same low investment levels per job in LDCs, Egypt and Syria as the historical average, while we know that this level of investment is not able to produce high productivity jobs. Simply raising the cost per job created in these countries to the regional average would add a further $1.2 trillion or 27% to the cost of achieving full employment by 2030.

A recent ILO working paper by M. Muqtada (2010) empirically anchors the evolution of macroeconomic thinking over the past quarter century from its neo-liberal origins to the present day's search for a more employment-centred framework. The paper assesses evidence on the relationships observed between a number of macroeconomic stability variables (inflation, budget deficit, investment and current account deficit) and GDP growth based on panel data for 80 developing countries. The five main stylized facts, which the paper identifies for developing regions as a whole based on cross-country evidence, are as follows:

1. nearly two decades of stabilization reforms have reduced the inflation levels in most countries;
2. with the exception of a few countries, GDP growth is observed to be low or inadequate during the 1980s and much of the 1990s;
3. despite substantial declines in inflation rate and budget deficit, as indicators of better macroeconomic stability, investment-to-GDP ratio (I/GDP) has failed to gain momentum;
4. investment to GDP ratio tends to explain growth better than the other "stability" variables; and
5. current account deficit is negatively, but not robustly correlated to growth.

Figure 30: Investment (percentage of GDP) in Non-GCC Arab countries and developing region, 1990-2010



Source: Authors' estimates based on WDI online datasets
Note: Non- GCC Arab Countries included are Algeria, Morocco, Tunisia, Egypt, Jordan, Lebanon, Syria, Comoros, Djibouti, Mauritania, Yemen and Sudan

Figure 30 shows that investment in non-GCC Arab countries has been close to the average for developing regions, except for a period of higher investment from 1990 to 1995, when the Arab region was attempting to make up for lost investment in the low growth decade of 1980s. The above noted historical trend in investment, if it were evenly distributed amongst all countries included in the grouping used, would allow the concerned countries to reach full employment by 2020, assuming unchanged labour force participation rates for both men and women. However, the investments are not evenly divided. Based on current trends, Algeria is on track to reach full employment and raise female participation rate to 35% by 2020, while Yemen and Mauritania cannot even keep the unemployment rate constant for any of the periods and are projected to experience an ever increasing rate of unemployment. The latter trend is clearly untenable. It is clear that, except for Algeria, all countries included in the group have to substantially increase their investment rates if they are to make a meaningful dent in the unemployment problem.

Social protection is still a major challenge[24]

Arab countries have a long tradition of social and family solidarity that is reflected in their systems of governance and social security arrangements. Besides formal social security systems, the countries in the region have established social assistance programmes and targeted cash or in-kind benefit programmes to support the poor. [25]

The dominant elements of social security policies in most Arab countries are social insurance programmes that provide long-term benefits for old age and in case of disability and death. Such plans cover workers on regular contracts in the public sector, including the military, as well as workers in the formal private sector.[26] Other categories of workers, such as temporary or casual workers,[27] agricultural workers and domestic or migrant workers, are excluded from legal coverage in some countries. Few formal social security mechanisms exist to cover the risk of unemployment, while social assistance plans and other formal social safety nets tend to be fragmented and weakly coordinated. Some countries have unemployment compensation plans such as Algeria. Kuwait introduced a social assistance plan for first time job seekers in 2003 and Saudi Arabia has recently announced plans for unemployment compensation and a guaranteed minimum wage for nationals. Jordan and Syria are considering the introduction of unemployment compensation accounts under a funded (private) pillar. All the same, the coverage of unemployment compensation in the region remains the lowest in the world. [28] Recent World Bank estimates suggest that on average, only one third of the region's workers are covered by pension plans, with wide sub-regional variations ranging from 8% in Yemen to 87% in Libya.[29]

Social dialogue mechanisms are weakly institutionalized and many employers and workers' organizations struggle with inherent structural problems, including sectoral shifts in employment and reduced trade union membership, as the share of services in employment increases. Such weak institutional frameworks create challenges for the development and implementation of crisis response strategies guided by effective and well-established tripartite mechanisms.[30]

In order to remedy this coverage gap, some countries, such as Bahrain and Jordan, have embarked on extending their social security plans to cover additional benefits. To this end, Bahrain has recently set up an unemployment benefits plan aimed at facilitating the return of the unemployed to the formal labour market. The plan also covers first-time job seekers, with incentives to take up formal employment. Jordan is in the process of extending its social security benefits to cover maternity and unemployment and is envisaging the introduction of health-care benefits in due course. These measures, among others, constitute an effort to prevent people from being forced into informal labour, promote women's participation in the workforce and ensure sustainable growth of employment in the formal economy.

In addition to the above limitations, several systems also exclude from coverage employees who work in small enterprises. As a result, considerable parts of the region's labour force are left out of any social security coverage. The Jordanian social security system in 2007, for example, covered only around 50% of the formal private sector workforce. In order to provide comprehensive protection and remedy this coverage gap, the Jordanian Parliament has been currently discussing extending the country's social security law to cover unemployment, health and maternity benefits and extending coverage to all enterprises with one or more employees, which would nearly double the number of persons covered. Some countries, including Yemen, have recently extended social security to workers in small enterprises but face some difficulties in enforcement. Another remarkable example of extending social security coverage to a wider group of the population is Tunisia, which between 1987 and 2001 increased the membership in its social security system from about 900,000 to nearly 2 million people.

While most of the countries in the region have achieved relatively good economic performance, recent economic growth has not fully translated into sufficient increase in quality employment. Low formal employment levels (outside of the Gulf states), low female participation in the workforce and high levels of youth unemployment remain the main causes for low coverage rates of formal social security plans. This leaves a large portion of the population vulnerable to economic shocks. As nearly all social security systems in the region are financed by contributions and linked to formal employment, a high proportion of people lack any form of social security, other than some basic social assistance. While the small proportion of women with stable careers in the public and private sector is relatively well protected, many women with short and interrupted formal employment have little or no social security coverage.

Some countries have already embarked on reforms to extend the scope of coverage of their pension plans, for example, by including workers in small enterprises, workers in temporary or other forms of "non-regular" employment, agricultural, migrant and domestic workers. Tunisia implemented a series of measures in the 1980s and 1990s that gradually extended the scope of pension plan coverage to previously unprotected groups of workers. [31]

Some countries have set up cash transfer systems and social assistance programmes in order to grant a minimum of benefits to the most vulnerable groups of the population. In Tunisia, the Ministry of Social Affairs set up the National Programme for Aid to Needy Families to provide direct cash transfers to the poorest households. In 2005, the programme benefited 115,000 families, most of which included elderly or disabled persons. The programme also grants, among others, the right to free care in hospitals. It covers 717,100 individuals in total, or 7% of the population. According to surveys, however, coverage under the programme is not fully satisfactory and administration is complex, eligibility lists are rarely updated and when they are, benefits are not always granted to those families newly identified as eligible. Algeria has set up a public works and cash transfer programme that provides compensation to those able to work and financial support to those who are old and handicapped. The programme, however, covers only 20% of the poor, while some people receive multiple benefits. In Morocco, there are a number of different programmes coordinated by an administrative body under the authority of the Ministry of Social Development and Social Solidarity in support of the poor. Overall, these programmes reach only 1.6% of the poor due to inadequate coordination with other agencies and lack of administrative capacity.

Finally, as noted by the ILO, "all countries in the region offer some kind of social assistance programmes (income support and other safety net programmes). Traditionally, social assistance programmes in Arab countries tend to focus on specific groups of the population deemed to be in particular need of support, such as female-headed households or persons with disabilities. Some of these programmes are provided directly by the government or semi-autonomous institutions (such as social funds in Egypt and Yemen). In addition, many social assistance programmes are run by non-governmental organizations. Lack of coordination is a concern, resulting in the duplication of support to some groups, while others are hardly covered at all".[32]

Is there fiscal space for an employment-centered transformation?[33]

The previous sections show that the fundamental economic development challenge in the Arab region is one of structural transformation, or lack thereof. Heavy sectoral weights of extractive industries lead to dependence on global oil prices. The structure of production limits employment generation for skilled and semi-skilled labour. Low-skill services and informal activities absorb the labour force and have negative effects on aggregate productivity and living standards. The slow emergence of manufacturing capacities distinguishes the economies of the Arab region from other developing countries. In fact, manufacturing exports do not contribute sufficiently to growth compared to emerging economies in Asia. Concurrently, growth is volatile and saving and investment rates are significantly below what is required to embark on this economic transition.

The approach to fiscal space taken up in this report is therefore focused on asking the question: what are the barriers to the creation and utilization of fiscal space that will be necessary to undertake the above transformation? We thus seek to assess the feasibility of creating and utilizing fiscal space for a structural transformation that would be essential for a new development model.

A sustainable fiscal policy is defined as one which (a) does not undermine fiscal sustainability in the long-term and (b) that is not charity-based or dependent on exogenous and (as has been frequently pointed out) highly volatile sources of external finance, such as bilateral aid and concessional and non-concessional foreign borrowing. Such a policy requires:

- An analytical framework that specifies the main features of such a long-term resource mobilization framework.
- Specific indicators to assess fiscal sustainability and if possible, suggest fiscal rules that could be deployed to secure the long-term sustainability of such a framework.

There are two major differences in designing an analytical framework for long-term fiscal policy as opposed to short-term. The first relates to the greater importance of objects of fiscal spending for assessing sustainability in the long as opposed to the short run. For instance in the short run, spending on both a rail network that reduces the transport costs of potential industries and a prestigious stadium that is only used once can lead to a budget deficit. However, in the long run the rail project is expected to increase fiscal receipts by facilitating increased industrial production and can pay for itself. Clearly, diverse development situations will require separate modes of spending; to be technically precise, they will require different weights placed on the stabilization, allocation and distribution functions of public finance.

In summary, we argue that the main concerns with respect to securing fiscal space for structural transformation are to ensure that:

1. There is a sufficient cushion in current spending relative to current revenue to afford countercyclical expenditures including on social programmes;
2. The revenue and expenditure structures are aligned with the overall structural transformation as it takes place; and
3. There is sufficient fiscal space available for public investment and that such investment occurs in areas most directly conducive to the desired structural transformation.

We understand the concern that public investment may crowd out private investment. However, we feel that public investment can actually facilitate private investment by providing the needed productive social infrastructure to encourage a positive structural transformation. Public investment, in this case, has the same effect as fiscal incentives in increasing private investment. Of course, the portfolio of such spending would need to be radically different from what obtains at present.

Capital investments would still have some limit, given the rule of zero current deficit, as the state would have to be in a position to cover the associated burden of interest to the extent that such spending is financed through borrowing. Attention should also be paid to the impact of such borrowing from national sources on the cost of capital for the domestic private sector. The latter is ultimately shaped by the long-term savings behaviour of the economy, plus the ability to attract foreign savings in the form of foreign direct investment.

Consonant with our understanding of fiscal space, we have two main concerns: the first relates to the potential for increasing fiscal revenues and the second to medium term fiscal sustainability. In what follows, we assess both dimensions of fiscal space using context-specific indicators.

Adequacy of current revenue

At a very minimum, we assess performance with respect to the current zero deficit rule. Applied to its broadest perspective, this would require government consumption expenditure (measured as the sum of wage and establishment expenditures of general government) to be fully financed out of current revenues. For the sample of countries for which data is available, Table 6 indicates that there is a comfortable positive balance across the region. In other words, there is sufficient fiscal space for expenditure other than on the instruments of government from the existing revenue effort to invest in capital expenditures and transfers.

Table 6: Current revenues net of privatization minus current expenditure net of subsidies and interest payments (percentage of GDP), 2000-2010

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average
Algeria		24.1	24.5	27.0	26.5	32.3	34.3	30.4	37.6	25.0	24.6	28.6
Egypt						11.0	11.6	12.8	14.1	6.4	8.7	10.8
Jordan				6.3	10.0	12.0	14.6	12.4	7.0	6.0	6.7	9.4
Kuwait	53.8	35.9	36.8	33.7	41.1	64.8	53.9	57.1	45.7	39.7	42.3	45.9
Lebanon			4.9	6.3	6.5	4.4	1.3	2.7	2.1	2.9	5.7	4.1
Libya	26.0	10.9	26.3	22.0	32.3	51.5	51.2	49.0	54.7	50.7	50.8	38.7
Morocco	9.5	7.7	7.4	5.5	6.3	4.8	9.2	11.4	11.5	10.7	10.9	8.6
Qatar				18.0	12.7	22.8	20.8	17.4	24.1	21.9		19.7
Syria	16.0	19.4	15.6	16.5	14.4	11.9	14.5	10.4	5.1	11.2	11.4	13.3
Tunisia		10.0	10.1	9.4	9.8	9.6	9.9	10.5	11.9	10.4	9.2	10.1
UAE	13.3	8.5	3.6	11.4	16.7	28.2	38.1	31.6	33.8	16.4	22.4	20.4
Yemen				16.7	18.2	21.9	23.5	16.0	22.7	10.6	11.5	17.6
Average	23.7	16.6	16.1	15.7	17.7	22.9	23.6	21.8	22.5	17.7	18.6	

Source: Authors' estimates based on data from IMF Article IV for Arab countries

We take current revenues net of privatization and current expenditures net of interest payments and subsidies to assess fiscal adequacy. The logic underlying this measure is policy related: if total revenues cover current expenditures (less interest and subsidies) without relying on privatization receipts, then policy can focus on reducing the interest and subsidy burden. When we include interest payments and subsidies, data on the same balance shows that Jordan, Egypt and Lebanon have to urgently address the budgetary burden of their subsidies and interest payments in order to free up meaningful fiscal space for needed capital investments.

The region as a whole has a reasonable current surplus by this measure. In some cases, notably Morocco, there have been significant improvements in fiscal health on this score. Tunisia amongst the non-oil economies has managed to secure a respectable average excess on this account of 10% of GDP. Egypt, Jordan and Lebanon clearly need to pay much attention to their public finances, as even when one ignores subsidies and interest payments these countries have current surpluses in the single digits. This indicates insufficient attention to mobilizing tax revenues. In Egypt's case, we already know that non-oil revenues cover current government consumption, so the deficit is generated by the need to undertake large transfer expenditures. Lebanon is a country whose debt problems derive from a series of shocks that can fairly be described as crisis related. The problem is well known and the consequent need for collective action has been argued for some time.

Potential for expansion of current revenues

There is a fairly strong relationship between tax revenues and GDP levels (Hinrichs, 1966). In general, one can expect Tax to GDP ratios to exceed 20% of GDP in middle-income countries and to hover between 10 and 15% of GDP in low income and lower middle income countries. Further tax revenues less than 10% of GDP reflect a minimalist state or other specific economic features (such as reliance on a single source of non-tax revenue) that are not structurally desirable.

From an examination of tax revenue trends in Arab countries, it would appear that considerable scope exists for tax revenue expansion, including through conversion of some customs revenues into tax revenues. In the middle-income countries one would look for scope to increase the share of direct taxation in the tax effort, as well as ensuring that in the process of economic transformation, overall levels of tax effort are roughly comparable to countries with similar income levels.

Table 7: Tax revenue (percentage of GDP) in MICs, 2000-2010

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average
Algeria	-	9.4	10.6	10	9.5	8.5	8.5	8.1	8.7	11.2	11.4	9.6
Egypt	-	13.4	13.4	13.9	14	15.8	15.4	15.4	15.7	12.4	14.9	14.4
Lebanon	-	-	14.4	15.1	15.7	14.5	14.6	14.8	16.5	17.4	18.4	15.7
Morocco	24.1	22.8	22.9	19.7	19.9	21.4	22.2	24.8	25.5	25.9	26.1	23.2
Syria	9.8	9.1	10.2	10.6	11.6	10.8	11.6	10.9	8.4	12.2	11.6	10.6
Tunisia	-	21.6	21.5	20.6	20.7	21	20.5	20.8	-	-	-	21
Average	16.95	15.26	15.5	15.0	15.2	15.3	15.5	15.8	14.96	15.82	16.48	

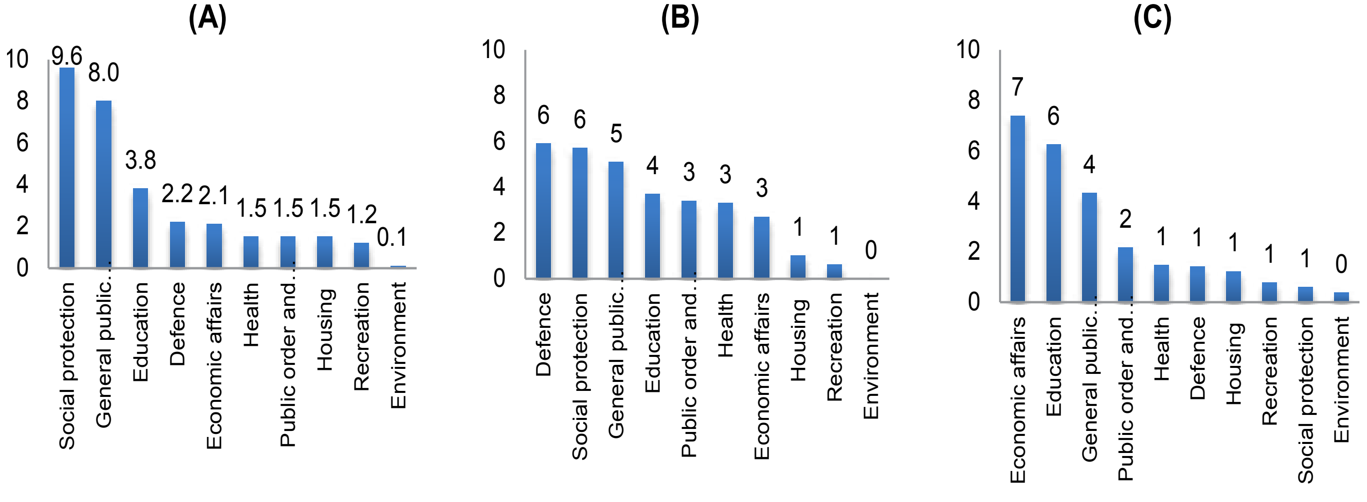
Source: ibid.

When it comes to total revenue, it is clear that middle income Arab countries can aim for revenue to GDP ratios that are roughly comparable to those in Latin America & Caribbean, as well as South East Asia. However, tax effort is much lower in Arab countries, even compared to relatively poor tax effort performers. Syria, for example, has a lower tax revenue than the Dominican Republic (10.6% and 14.8%, respectively). Egypt and Lebanon have lower tax revenues than Brazil (14.4% and 15.7% versus 15.9%, respectively), itself a poor performer when compared to countries like South Africa and even Kenya (26% and 17.5%, respectively). This indicates that considerable scope exists, across the Arab region, to undertake fiscal reform, to link it more with an overall economic performance by relying more heavily on tax revenues. This reform would facilitate positive structural transformation and at the same time reduce distortions inherent to excessive dependence on non-tax revenues.

Potential for expenditure switching policies

The other source of fiscal space —expenditure switching policies— requires an examination of the composition of government expenditures. Unfortunately, we do not have access to this data for all countries in the region. Therefore, we can only report trends for a few countries that differ markedly from each other. In Egypt's case, the bulk of spending is on general services and social protection. Economic services and the provisioning of key public goods like health and education, have seen their low shares steadily decline over time. In Jordan, the lion's share of expenditure is on general services, defence and social protection. Again, there is extremely low spending on economic services, health and education. In Tunisia, on the other hand, expenditure on education and general and economic services is significantly higher than average for Arab MICs. In the two GCC countries for which data is available, there is significant spending on public goods provisioning, while at the same time high levels of expenditure on defence and general services are maintained. In both these cases, this is possible because of the relatively high share of government spending in GDP.

Figure 31: Outlays by functions for Egypt (A), Jordan (B) and Tunisia (C), 2008



Source: IMF GFS online datasets

It is clear that there is sufficient fiscal space in the non-GCC countries for some expenditure switching, particularly into the provision of public health and education. The high levels of expenditure on social protection do not appear to yield much in the way of development payback. This is not so much because such expenditures are in and of themselves undesirable —indeed recent global experience suggests that social protection serves as a key element of countercyclical expenditure— but that what passes for social protection expenditure in these countries is not fit for the purpose. Such expenditures suffer from poor programme design; hence, there is a great margin for improvements in their efficiency and effectiveness. This is particularly the case with regards to fuel subsidies in Egypt, where several recent World Bank studies evidence its poor targeting.

Fiscal space for public investment

Annex table 29 presents the economic classification of government expenditure for key countries in the region. Most have extraordinarily low levels of public investment relative to the total size of government spending. Most governments invest less than 7%, on average. Only Algeria, Libya, Yemen and Syria, all of which have relatively small private sectors and very little non-oil private investment, have spending that exceeds 10% of GDP. Thus, there is no chance that current levels of public investment, even with heroic efforts at capital portfolio restructuring, will be sufficient to undertake the required structural transformation.

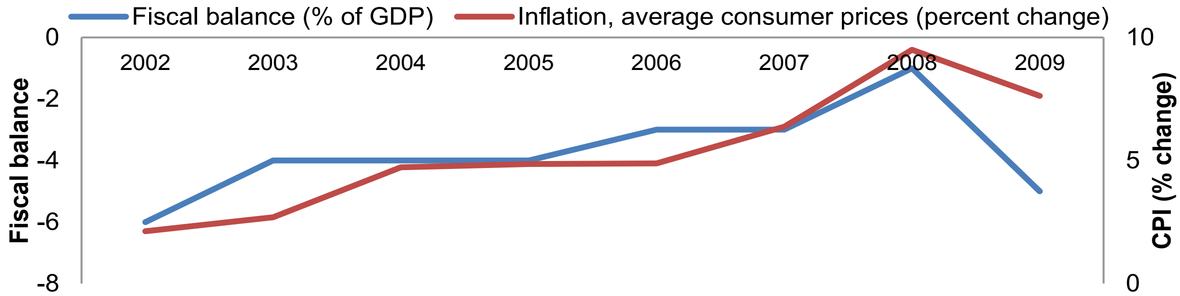
In most Arab countries there is a tough choice to be made between subsidies and public investment. This is particularly true for countries such as Sudan, Yemen and Egypt that face an infrastructure deficit (particularly in rural areas). Finally, Egypt, Algeria, Yemen, Lebanon and Djibouti have levels of public expenditure that reflect a government spending to GDP ratio that is close to the limit of what is feasible. Thus, in these countries there is a clear need for demonstrated improvements in the allocation of public expenditure priorities to reduce the need for an increase in revenues. If increased revenues are raised through taxation, this may reduce private consumption, while if they resort to borrowing it can reduce funds available to private investors.

The standard measure of the ability of a country to finance public investment (through domestic borrowing) is the extent to which such expenditure increases interest payments or claims against future revenues. The most apparent indicator of such affordability is the magnitude of interest payments in current expenditure, which is fairly low for most countries of the region. The three countries where such expenditures are in double digits are Morocco, Egypt and especially Lebanon. In the case of Morocco, the share of interest in current expenditure has been declining over time, including during the global financial crisis of 2008. Thus, all Arab Governments other than Egypt and Lebanon can increase public investment levels through domestically financed public deficits.

Furthermore, the debt to GDP ratios have declined for most highly indebted Arab countries, namely, Lebanon (after debt rescheduling), Mauritania and Sudan. Syria's debt reduction (most of which was owed to the former Soviet Union) was also quite significant.

Figure 32 shows the historical relationship between budget deficits and inflation in MICs and LDCs (excluding Algeria). It can clearly be observed that the two are not positively correlated with higher levels of deficit actually associated with lower levels of inflation. This is understandable, given the largely cost-push character of inflation in these countries. There is, therefore, no reason for excessive fiscal austerity for fear of setting off an inflationary spiral.

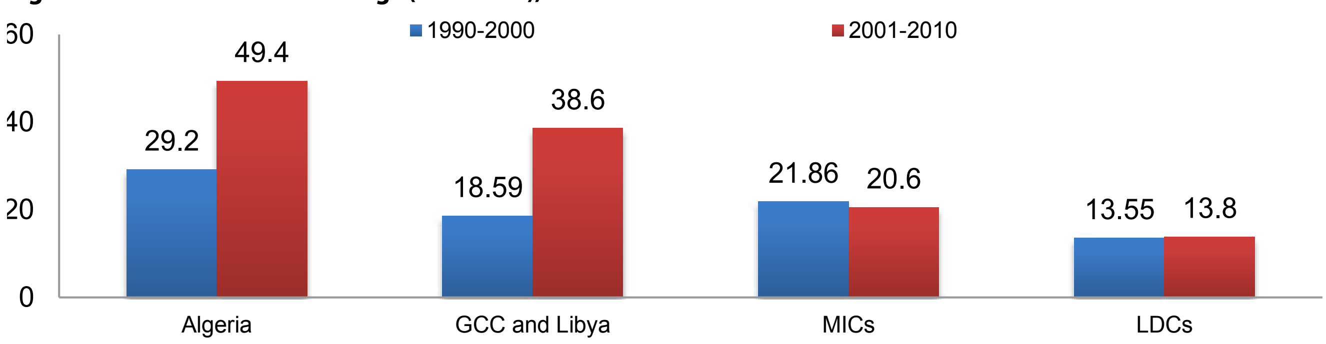
Figure 32: Fiscal balance and Consumer Price Index (annual change%) for oil-poor countries, 2002-2009



Source: IMF Article IV and WEO online datasets.
Note: Arab Oil poor included are Djibouti, Comoros, Egypt, Jordan, Syria, Morocco, Lebanon and Tunisia

Looking at the savings rate for Arab countries, it is clear from figure 33 that it is significantly below the level required to support a development transformation in LDCs and MICs minus Algeria. Moreover, savings rates are not only low, but have declined for the MICs and remained stagnant for LDCs. Oil rich, on the other hand, have seen their savings rise substantially since 2000, along with rising oil prices. Their high savings numbers simply show a low investment propensity in the non-oil sector and the fact that, in more recent times, these countries are channelling less oil wealth to consumption and more to SWFs and/or public investment (as in the case of Saudi Arabia in 2011).

Figure 33: Gross National Savings (% of GDP), 1990-2000 and 2001-2010



Source: WEO online datasets.
Note: Arab countries included are Algeria, Libya, GCC (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE), MICs (Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia) and LDCs (Sudan, Yemen, Djibouti and Mauritania).

Water Security, Food Security and Climate Change

Water is an increasingly binding constraint on Arab development

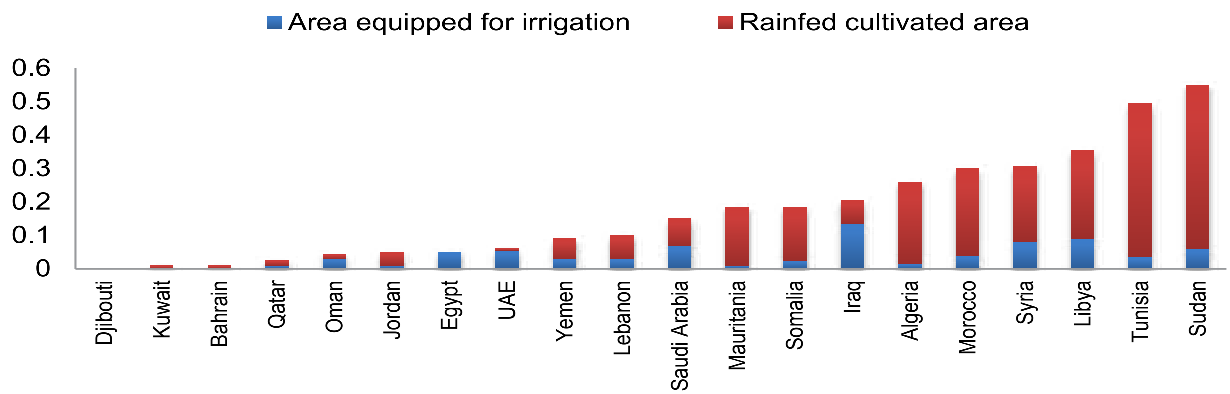
Available renewable fresh water resources per capita in the Arab world are among the lowest in the world. Serious levels of water stress exist in the Occupied Palestinian Territory and Yemen, while significant stress exists in Jordan and Saudi Arabia.[34]

In Arab countries, the concept of national water footprint is of central importance to the understanding of water conditions and their interrelatedness with poverty. The water footprint of a country is defined as the total volume of fresh water that is used to produce the goods and services consumed by the inhabitants of the country. A water footprint is generally expressed in terms of the volume of water used per year. Water scarcity is defined as the ratio of the total water footprint of a country to the total renewable water resources. Sadly, almost all Arab countries suffer from excessive water scarcity.[35]

In the agricultural sector where the majority of the poor reside, irrigation water subsidies have been justified on the grounds that they provide aid to the poor. However, newly accumulated data reveals that the poor in the agrarian sector, like their counterparts in urban centers, do not necessarily benefit from such policies. In Egypt, 75% of water subsidies benefits the richest 50% of households, whereas only 25% benefits the poorest 50%. These findings indicate that irrigation subsidies are not justified as a policy instrument for the redistribution of income. The main beneficiaries of subsidies are the rich, not the poor.[36]

Falling mostly within the arid and semi-arid rainfall zones and with limited agricultural potential resources, most Arab countries have attempted to increase their agricultural production with improvement in productivity, intensive farming, extensive use of water resources for irrigation and expansion of cultivated areas including the fragile rain-fed soils at the expenses of rangeland areas. While this extensive use of land and water has accentuated the fragility of the natural resource base, increase of the cultivated areas has been modest. Moreover, demographic growth, combined with urban expansion, has led to a dramatic decrease in per capita land and water availability in all countries of the region.

Figure 34: Cultivated areas per capita in Arab countries (hectares), 2003-2007

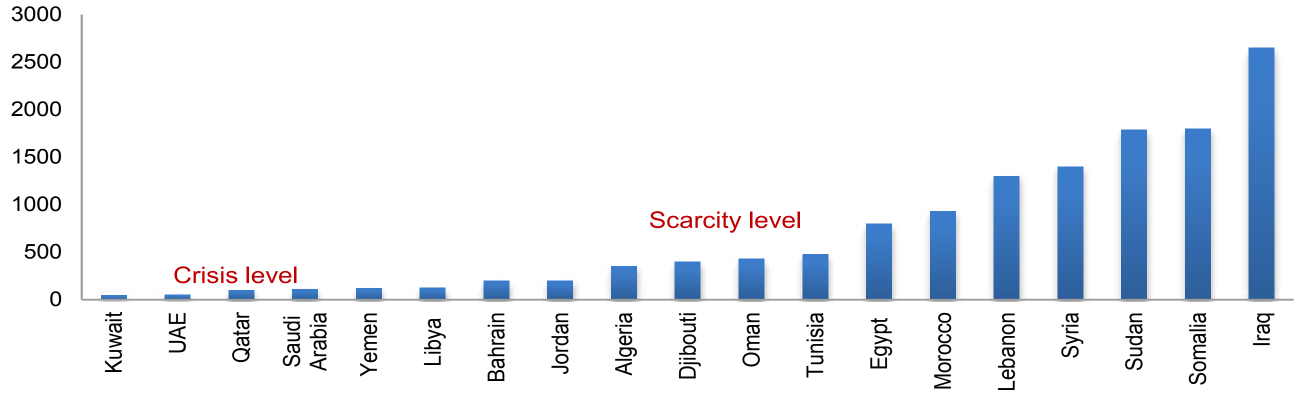


Source: Authors' estimates based on FAO STAT

Arable land per capita is one of the lowest in the world, having fallen from 0.5 hectares in 1962 to about 0.2 today. In nine countries (including Egypt, Yemen, Lebanon, Jordan and most of the high-income countries of the GCC), per capita arable land is even less than 0.07 ha.

More than arable land, however, scarcity of water constitutes the most important constraint to agricultural production and food security in the region. Population increase conjugated with overexploitation of water resources, especially groundwater, has resulted in a sharp drop of available water. At the regional level, total renewable water per capita decreased from 3035 m3 in 1958-1962 to 973 m3 in 2003-2007. This low level makes the Arab region the most water scarce in the world (world average is about 7,000 m3 per capita).

Figure 35: Total renewable water resources per capita (m3/inhab/yr), 2003-2007



Source: ibid

While Morocco and Egypt are below the scarcity level of 1,000 cubic meters per person per year, 12 other countries, including Tunisia and Algeria, are in a state of "water crisis" (less than 500). Of these countries, 8 are in a state of "absolute scarcity' with less than 165 cubic meters per capita (including Jordan, Libya, Yemen and the high-income countries of the GCC).Thus, only 3 countries in the region (Iraq, Sudan and Somalia) can be considered as having a sufficient level of water to meet their needs (more than 1,700 cubic meters per person).

Box 5 The impact of lack of access to water on farming and herding communities in the West Bank

While Palestinian farmers struggle to earn an income with scarce water and increasing cost, the diversion of water resources from Palestinian villages to illegal Israeli settlements, has facilitated settler development of water intensive farming. Settler farms are primarily located in the Jordan Valley, most of which is in Area C. Settler farms mass produce a variety of crops that use large amounts of water, such as bananas, dates and cucumbers, mainly for export. Meanwhile, Palestinian communities in the Jordan Valley that have long depended on farming have seen their springs and wells run dry, forcing people to abandon agriculture or take up work as day labourers on Israeli settlement farms. This makes them vulnerable to unemployment and food and water shortages.

In one Jordan Valley village, Al Auja which was once a flourishing agricultural oasis that provided fresh fruit and vegetables to markets beyond the West Bank, Um Al Saed, a woman in her late 30s, who runs a cooperative for rural development, said: "There is no longer any water for our village. The settlement now controls the water source and the spring has dried up. Now many people have sold their land to buy taxis instead, or have no choice but to work in the settlements."

The Israeli human rights organisation, B'Tselem says that the 9,400 Israeli settlers living in the Jordan Valley region alone consume around 45 Million Cubic Metres of water a year. This is almost a third of the quantity of water allocated to the 2.5 million Palestinians living in the West Bank. Making matters worse, a recent announcement by the Israeli government seeks to increase the allocation of land to Jordan Valley settlements by 130 per cent and their water allocation by 20 percent. Under the new plan, the average plot for each Jewish settler in the Jordan Valley will be extended from 35 dunams (8.6 acres) to 80 dunams (19.7 acres) and their water quota will increase from 42 cubic metres to 51 cubic meters. This will increase the overall land available to settlers to cultivate from 56,000 dunums (13,837 acres) to 110,000 dunums (27,181 acres). The expansion plan is designed to support the development of settler agriculture, provide infrastructure to absorb the next generation of settlers and maintain Israeli national and security interests. If the plan is approved, settlement farms will get even bigger while Palestinians living in the Jordan Valley will have even less access to the scarce land and water resources that they depend upon not only for their livelihoods but to maintain their presence on the land and way of life.

Source: Provided by OXFAM based on:
B'Tselem 2011and the Association for Civil Rights in Israel (ACRI)

Water per capita is about 100 cubic meters per year in Yemen, which is less than 10% of the average for Arab countries and less than 2% of the world average. With no significant perennial sources of surface water, Yemen relies almost exclusively on over-exploitation of groundwater. Water from the shallow aquifers is extracted at a rate that exceeds the recharge from the limited rainfall. The rate of depletion has accelerated over the last three decades due to the introduction of tube-well technology and pump-sets. According to the World Bank Assessment, groundwater is being mined at such a rate that large parts of the rural economy could disappear within a generation. In the basin where the capital, Sana'a, is located, the water table is falling by 6 meters per year. The World Bank estimates that the aquifer will be depleted by the end of this decade (World Bank, 2005).

Water scarcity is also often exacerbated by conditions of conflict and occupation. As noted by OXFAM, the majority of Palestinians who rely on farming and herding live in Area C of the West Bank, where Israel maintains full military and civil control. Access restrictions, including the growth of settlements and closed military zones in this region, effectively keep farmers and herders from reaching critical water sources, such as wells and springs on which they have relied throughout the centuries. At the same time, Israel's restrictions on construction in Palestinian communities prevent digging new wells and building water harvesting cisterns, reservoirs, or water networks. Illegal infrastructure, built without permits that are difficult to obtain, is often subject to demolition (see Box 5 for further details).

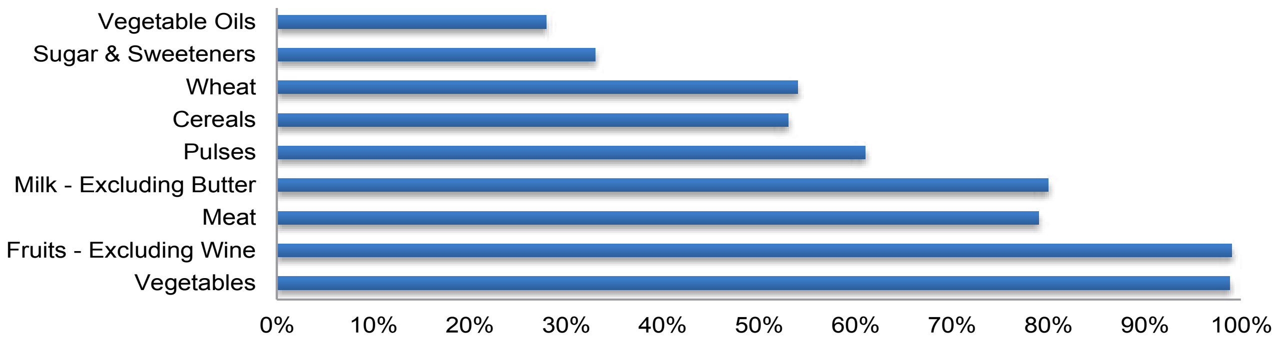
The delicate triangle of food security, food prices and food subsidies

While record prices in 2007-08 subsided owing to the temporary impact of the recession on consumption in late 2008 and 2009, the resumption of upward price trends since late 2010 appears to herald a new normal of high food prices driven by a change to supply and demand fundamentals. This is due to the convergence of surging global demands from an ever-increasing population with bottlenecks to increased food production due to limited scope for expanding agricultural land or increasing productivity. The constraints include climate change, rising energy costs, reduced groundwater irrigation capacities, desertification and reduced soil fertility. [37]

Long-term structural factors that drive global food insecurity are even more pronounced in the Arab region, with its high population growth rates and higher per capita consumption levels on the demand side and shrinking levels of arable land and renewable water resources on the supply side.[38]

Most agricultural production in the Arab region is devoted to two product categories: cereals (mainly wheat, the principal food staple) and fruits and vegetables. Despite this fact, the region remains highly dependent on imports for meeting its cereal needs.

Figure 36: Ratio of production to total domestic supply in the Arab region, 2004-2007

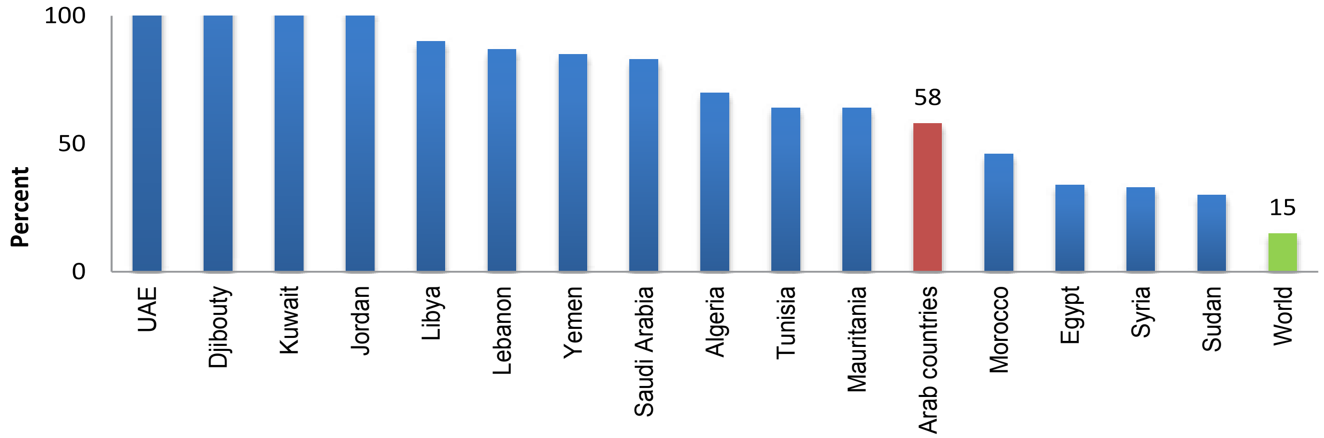


Source: ibid
Note: Arab countries included are Algeria, Egypt, Djibouti, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Saudi Arabia, Sudan, Syria, Tunisia, UAE and Yemen.

Thus, as shown in figure 36, the Self Sufficiency Ratio (SSR), or the ratio of local production to total domestic supply for the region is 53% for cereals, 28% for vegetable oils and 33% for sugar. It is important to note that these three categories of products provide the bulk of the daily caloric food supply for the vast majority of Arab populations, particularly the poor. However, the region is close to self sufficiency in meat and fruit products that are mainly consumed by the rich.

Import dependence for food is highly variable amongst Arab countries, as shown by figure 37. Ratio of cereal imports to domestic supply varies from 23% in Sudan and Syria, to 100% and more (due to re-exports) in Jordan, Kuwait, Djibouti and UAE. In addition, dependency on cereal imports hovers around or exceeds 80% in eleven countries. Calculated in terms of caloric value, the ratio of total food imports to total food caloric supply presents a similar pattern for almost all the countries. In other words, only three countries in the region (Sudan, Syria and Egypt) depend on food imports for less than half of their daily caloric supply.

Figure 37: Ratio of cereal imports to domestic supply in Arab countries, 2004-2007



Source: ibid.
Note: Arab countries included are the same as figure 36.

At the macro-economic level, soaring food prices pose a problem for Yemen, Mauritania, Jordan and Djibouti with food imports accounting for more than 6% of their GDP. These countries are heavily dependent on imports for their cereal and food consumption and have food import bills that represent a high proportion of their export earnings and GDP. In 2005, their cereal imports accounted for more than 60% of total cereal consumption and their food import bills represented more than 15% of their total export earnings. Djibouti has, by far, the most dramatic situation and faces the most severe risks. The country depends on imports for almost all of its food consumption and its food import bill represents 17% of its GDP and 41% of its total export earnings.

Food subsidies were originally designed as part of a wider system of state intervention in agricultural production and food marketing to insure household food security by providing basic food commodities at fixed and “affordable” prices to the population.

In the 1980s and 1990s, the ever increasing fiscal cost of food subsidy programmes[39] and the pressure of international financial institutions led most countries to reduce or eliminate subsidies. Thus, food subsidies were progressively eliminated in Algeria (1991-1993), in Yemen (1998-2000) and almost eliminated in Jordan (1990-2000). In other countries, the risks of social instability obliged the governments to adopt a gradual approach to reducing food subsidies, without significantly reforming the system. Egypt, for example, reduced progressively the number of beneficiaries of ration cards, the quantity and the number of subsidized commodities and the quality and the availability of subsidized bread. The Tunisian government adopted a “self-targeting approach” under which subsidized products were available to all, but are selected specifically to discourage the rich from consuming them. Morocco adopted the same approach via subsidizing a low-grade quality of flour.

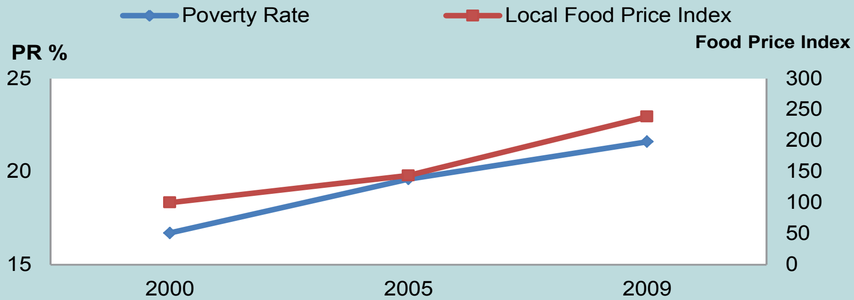
However, these policies to eliminate subsidies and reduce costs did not lead to sustainable, alternative safety net programmes and large portions of the population risk falling into poverty as a result of rising food prices (see Box 6).

Box 6 The impact of soaring food prices: Egypt

As rising global food prices continue to threaten to push millions of people into extreme poverty, Egypt grapples with an insurmountable budget burden against the threat of further unrest and bread riots, lest it discontinue the food and fuel subsidies on which the livelihoods of so many Egyptians depend. As one of the largest importers of food, namely the largest importer of wheat in the world, Egypt is among the countries with the highest level of spending on food subsidies. Thus, in the context of the 'silent tsunami' of the 2008 crisis, preceded by the devaluation of the Egyptian currency, staggering inflation rates, with Egypt recording one of the highest increases in food prices in the world, the rising importance of food subsidies became inevitable. During this time, the purchasing power of poor households decreased by 10% (in 2007); an extreme poverty rate which stood at 16.7 in 2000 reached 19.6% by 2004/5 and 21.6% by 2008/9.

The increase in consumer food prices in Egypt was far from a simple transmission of international food prices. Paradoxically, the prices of local products experienced even a greater increase than imported products. The highest increases were recorded for dairy products (82%), fruits (139%) and vegetables (102%), the three food groups in which Egypt is actually self-sufficient. This had large negative ramifications on the composition and quality of the Egyptians' diet. The poor who were disproportionately affected by this price rise, shifted their consumption increasingly towards cereals such as subsidized bread.

Poverty Rate and Local Food Price Index from 2000-2009



As a result, Egyptians have witnessed a remarkable increase in their dietary caloric intake over the recent years, but the nutritional value has decreased markedly as the composition of this energy supply has been overwhelmingly dominated by cereals, making up 60 percent of the Daily Energy Supply (DES) in Egypt (according to HIES data). As subsidized foods consist mainly of energy-dense and micronutrient poor commodities (sugar, oil, bread), micronutrient deficiency, in other words hidden hunger, still remains a serious problem. The prevalence of obesity in adults has become very high, especially amongst women. In addition, according to WHO, one in every two children under the age of five suffers from some degree of anemia and the share of stunted children, an indication of chronic malnutrition, is increasing at an alarming rate.

Source: El-Laithy, 2011. and Abi-Samra and Hachem, 2011.

Food subsidies suffer from a number of shortcomings. For example, in Egypt, according to the World Bank, a significant proportion of the poor and the most vulnerable do not benefit from food subsidies. In Morocco, according to an April 2008 estimate of the Haut Commissariat au Plan, the wealthiest 20% of the population receives more than 40% of the benefits of food subsidies while the poorest 20% receives less than 10%. Although the poor benefit less in absolute terms, subsidized food represents a greater share of their total food expenditure and contributes to an important share of their food intake. This is because expenditures increase significantly at higher quintiles and because the poor devote a greater share of their expenditures to food.

Despite their faults, food subsidies have remained the only substantial programme that protects the poor and the most vulnerable populations from soaring food prices and food insecurity. Other safety net and targeted poverty and food security programmes are rare and when and where they exist, remain marginal. In Egypt in 2004, for example, the Social Fund for Development (SFD) and the Cash Transfers programmes represented, 0.1 and 0.2% of GDP, respectively, compared to 1.7% of GDP spent on food subsidies.

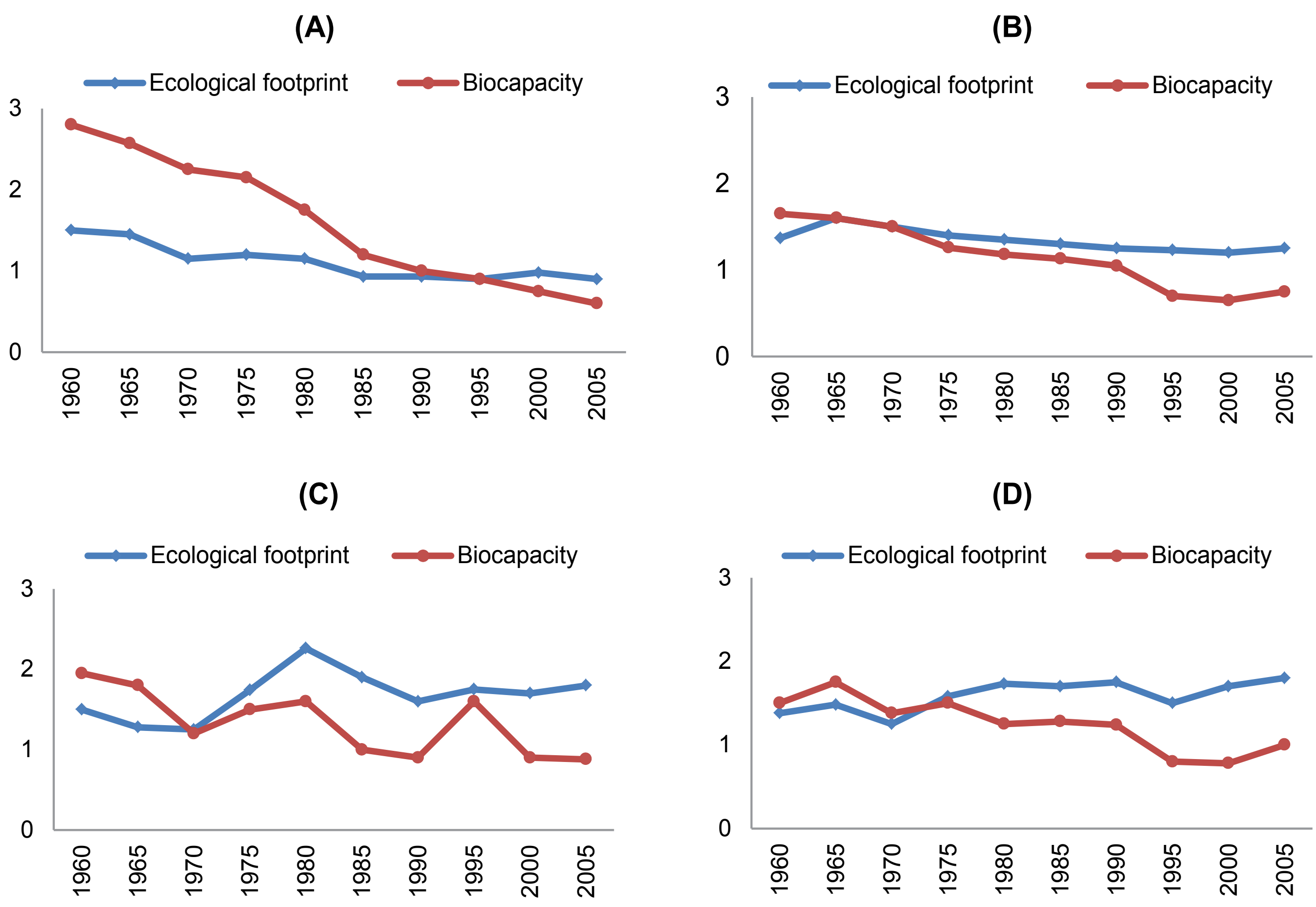
Between 2005 and 2008, subsidies increased significantly in most Arab countries. Measured in absolute terms (local currency), food subsidies have more than doubled in most cases. They increased by 310% in Tunisia; 309% in Jordan; 205% in Morocco and 75% in Egypt. As share of GDP, between 2005 and 2008, food subsidies have increased from 0.7% to 1.2% in Morocco, from 0.7% to 2% in Tunisia and from 0.6% to 1.7% in Jordan.

Climate change: a game-changer?

Climate change adversely affects water and food security. Concerns about water and food security were already major factors in social contestation movements in the Arab region.[40] Some of the recent civil protests in Jordan, for example, may have been partly sparked by tribal grievances over lack of access to water resources for local livelihoods and agriculture.[41] In recent years, Syria has seen a wave of internal migration owing to severe droughts. Human security in the coming decades will be greatly affected by the implications of living in a resource-constrained region, with the cumulative impact of ecological change affecting the likelihood of inequity and the frequency and magnitude of droughts, floods and other disasters that largely affect the poor. Decades of exploitation have left the region's resources at risk as demands continue to grow and ecological capacities continue to shrink.

A key concept to analyze the interaction of rising consumption and carrying capacity of the environment is the ecological footprint, which compares humanity's rising demands with changing levels of ecological goods and services.[42] We enter an unsustainable situation when the ecological footprint exceeds biocapacity. Figure 38 shows the historical evolution of these features for Yemen, Morocco, Syria and Tunisia. In all cases, the footprint has been in excess of biocapacity for over 15 years. Clearly, this is an untenable situation that requires urgent remedial action to safeguard the livelihoods of future generations.

Figure 38: Ecological footprints and bio capacity in Yemen (A), Morocco (B), Syria (C) and Tunisia (D), 1961-2005



Source: Global Footprint Network

Climate change exacerbates underlying challenges in scarcity of resources and expanding consumption trends. The Inter-Governmental Panel on Climate Change (IPCC) Fourth Assessment Report (2007) estimated an increase in temperature in the Arab region of up to 2°C by 2030 and 4°C by 2100, with a reduction of water run-off of 20-30% by 2050, owing to rising temperatures, less precipitation and the likelihood of more frequent droughts. Meanwhile, IPCC projections foresee risks from rising sea levels in the coastal communities of the Egyptian delta, where a 0.5 meter rise of the sea level could displace 2-4 million people by 2050. There are risks to other coastal populations including Bahrain, the only small island-state in the region.[43]

Over the last century, the Arab region has experienced increase in warming of up to 0.5°C, with significant increases of 0.5° to 3°C in Morocco, Algeria, Tunisia and Saudi Arabia, while Somalia has experienced decreasing mean temperatures of 0.5°C.[44] In some countries like Sudan and parts of North Africa, precipitation has decreased by up to 10% in recent decades.

The convergence of scarcity of resource, increased consumption demands and strains on the ecology of the planet creates risks to peace and could trigger new conflicts or exacerbate existing tensions. The Arab region is at particular risk, with prevailing conditions of water and food insecurity, high levels of poverty and increasing cross-border and internal competition over land use and shared water resources.

Agricultural yields, especially in rain-fed areas, are expected to fluctuate more widely over time and lead to lower, long-term averages. Some estimate that for the Arab region as a whole, agricultural output could decrease 21% in value terms by 2080, with up to 40% decrease in parts of North Africa.

Climate change affects four key elements of food security: availability, access, utilization and stability. It brings risks to availability of arable land and rural livelihoods through a decline in water, desertification, droughts and floods. It could be the culprit for increasing food prices and market volatility and increase poverty in rural communities. Climate change complicates issues of utilization as it exacerbates pre-existing social competition over scarce resources and induces new conflicts within society. Finally, it could place additional strain on social welfare and social safety nets. In particular, climate change will make vast populations increasingly food insecure.

3 Understanding and Responding to Aspirations For Dignity

Facets of Exclusion across the Region

Arab countries have been grouped into various subsets, depending on the purpose at hand. Here, with a view to discussing common constraints and opportunities, we divide them into three major groups with a proviso that sets apart some of the conflict-affected countries. The groups are high GDP per capita oil-rich countries, middle income countries and LDCs. The first group, made up of GCC member countries plus Libya, is characterized by high levels of per capita GDP and low levels of income poverty. It features a large presence of expatriates (that in some cases far outnumber the national populations) and rapidly improving values of HDI ever since 1970. Development in this group of countries has been dominated by the oil sector and the resultant substantial oil revenues that have allowed the adoption of a welfare state approach for the national population. Growth has been afflicted by common problems related to fragile environments and the excessive use of energy, with each dollar of GDP was associated with the use of 16000 BTU of energy against 6500 BTU for the average Arab MIC country and an average of 8900 BTU in energy intensive North America.[45] The Arab region clearly needs to get ready for a post-oil boom period, as even the most well-endowed countries are expected to cease exporting oil within a generation. Most have the luxury of not having to contemplate transformative change in the immediate future, as they can afford to offset political and social exclusion by providing the entire population with access to basic social services and a minimum level of income.

Building on our earlier analysis of the development process in the Arab region, in the following pages we offer an understanding of the dynamics of exclusion in the less endowed parts of the region.

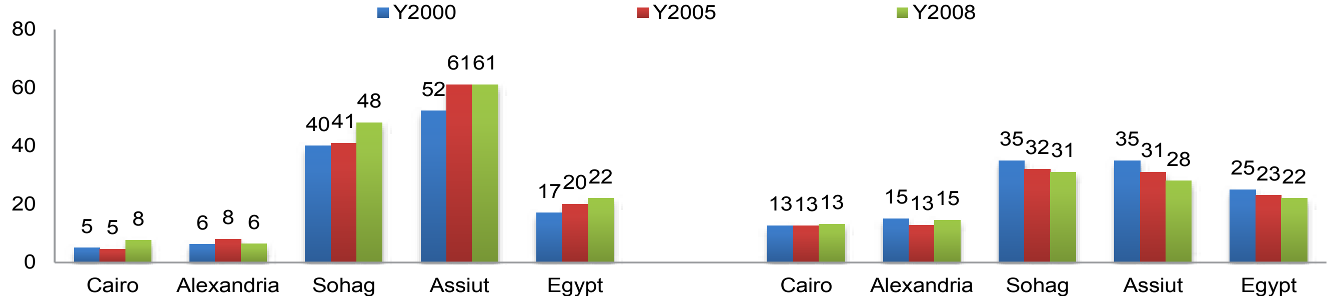
Processes of exclusion in middle income countries

Middle income countries, despite having achieved substantial progress on a range of human development indicators have not managed to promote inclusive development, but rather their mostly rentier based character has tended to marginalize most population groups from decision making processes and participation in the mainstream of economic activities.

The country case studies undertaken as background for this report clearly demonstrate the results of exclusionary processes in the case of Egypt, the most populous Arab country, with very high disparities between richer and poorer governorates in terms of both human and income poverty. While differences have decreased with respect to income poverty they still remain alarmingly high: differences of more than 60 percentage points in terms of income poverty between the richest and poorest governorates. Differences on human poverty, despite marginal reductions remain at around 25 percentage points, with maximum and minimum rates at respectively 61% and 35%.

Conventional measures of income inequality such as the Gini coefficient, however, do not reflect the wide disparity in wealth and access to social services of which every Egyptian is ever so conscious. Figure 39 shows how huge disparities in income and human poverty continue to persist in Egypt as a major MIC.

Figure 39: Egypt income poverty (P0) (Left) and human poverty (Right) for Cairo, Alexandria and bottom two governorates in terms of P0 for 2000, 2005 and 2008



Source: Authors' estimates based on data from El-Laithy, 2011.

Exclusion in Egypt is multifaceted, with intersecting social, economic, cultural and political dynamics that have incited rage and undermined dignity. Social exclusion is attributed to inequitable access to health, education and social protection. Economic exclusion results from many factors, including reduced opportunities to find decent jobs and for SMEs to engage in innovative and productive activities. The dominant role played by politically well-connected businesses who benefit from monopoly rents in the economy has subverted the course of economic developments, as a result creating a situation where increases in GDP at the aggregate level have been accompanied by declines in the real incomes of many people and undermined food security and environmental sustainability. In addition, environmental fragility continues to render people's livelihoods vulnerable. Finally, political exclusion leaves unprotected civil and political liberties, encourages weak participatory mechanisms and impedes accountability, access to justice and information.

Box 7 offers a simplified presentation of exclusionary processes at work in Egypt as a guide to a better understanding of social dynamics which have to change for Egyptian youth to realize their dreams for a life of dignity, as expressed in the slogan "we want jobs without nepotism".

Box 7 A schematic understanding of exclusionary processes in the Arab region

Nothing exemplifies the multiple exclusion and the ensuing feeling of rage in Egypt better than the situation of an Egyptian young man or woman living in one of the slums inside greater Cairo. Educated and out of school, hoping that a university degree will be a ticket to a reasonably good and respectable living away from the poverty line, the young Egyptian faces a job market that is not producing enough jobs in the formal sector and those that exist are not subject to transparent and competitive hiring processes. Faced with this prospect, the young Egyptian resorts to the informal undeclared labour sector to earn a living. After all, the dream of marrying a good partner and starting a family is never too far away, but requires financial means. In the informal sector, jobs are insecure, income is vulnerable and social protection and/or some sort of health insurance in case of illness or other risks is non-existent. If this young Egyptian is coming from the countryside, where agricultural production has been declining over the years, the only hope to live in Cairo materializes in a slum area. In the slum, the poor infrastructure of social services (including clean water and sanitation) and human insecurity increase this person's sense of exclusion.

For this young Egyptian, opportunities to engage politically or to express concerns and needs are limited. Until recently, there was a district office for the ruling political party, but it was the very source of poor policy making that lead to this person's exclusion in the first place. So hopes to receive rights through this party were illusory. Other political parties were likely not to have district presence or had structures that did not provide public space for a young Egyptian to voice opinions on policy. Civil Society organizations would come and go depending on their funding situation for projects; the media would come through one of the popular TV coverage shows to project exclusion, embarrass a governor or a minister and at best, bring some short-lived nominal improvement.

Any relief in such context would have been cosmetic. The root causes of this multiple exclusion in Egypt were to be found in a political regime that badly managed the economy and natural resources. In the economy, growth was driven by monopolies of business families in close relation to the ruling elite. Water, the main Egyptian natural resource, was squandered in an agricultural sector that literally sucked 80% of it without providing food security. The government's reliance on food subsidies to protect the poor was ineffective because it was biased towards the middle class and because of leakage in distribution due to corruption. In addition, energy subsidies were squandered through ill-conceived energy intensive activities that were biased against the poor.

Source: El-Mikawy, Noha

Arab states focused attention primarily on urban trading centres, neglecting agriculture and the rural sector. The state kept urban areas pacified as part of the traditional Arab social contract by providing them with subsidized imported food. The neglect of rural areas weakened the ability of emerging or existing powers such as nomadic tribes or feudal landlords to challenge the central government. The end result was a consistent decline in the share of agriculture in GDP. This dynamic, combined with only marginal declines in the rural population, explains the increase in rural poverty in many countries, notably in Egypt in the period up to 2009.

The exclusionary processes at work also explain persistent regional disparities with divergences in poverty rates across regions, increasing in Egypt and Syria and only declining marginally in Tunisia. This is the result of a development process that favours certain growth poles with limited economic linkages amongst the regions, or redistributive policies by way of public investment. Politically motivated neglect of certain regions in some countries due to their association with opposition movements has aggravated this pattern of unequal development.

The growth process has not been inclusive, with most economic activity concentrated in the hands of a small politically well-connected business elite that derives its profits from monopoly control over markets and government contracts. Hence, there is no incentive to develop a competitive, productive economy that will sustain a youthful and increasingly well-educated labour force. Unemployment rates remain the highest in the world as more and more working-age people continue to look for work in vain. The few available jobs are typically not in the high productivity, high wage bracket. Hence, efforts to reduce poverty move at a very slow pace.

The rentier mentality of ruling elites further hampers efforts to reduce poverty and income inequality through a tendency for maximal extraction of revenue from the natural resource base, or environmental mining. This is reflected in declining per capita levels of water availability and percentage of land area covered by forests. Declining agricultural productivity as a whole finds culprits in a lack of investment in research and extension services, a decline in soil fertility coupled with declining and less predictable rainfall in the context of largely rain-fed agriculture. Egypt and Sudan have access to the Nile River so their agriculture is not exclusively rain-fed, but Egypt, despite access to Nile waters, has plunged below the water scarcity level. Mismanagement of a fragile environment has kept population groups that directly depend on natural resources, most notably farmers and pastoralists, in a precarious condition that has not allowed them to escape the poverty trap.

The problem of exclusion could have been addressed, if not corrected over time, through inclusive participation mechanisms that would have given the young Egyptian a chance to articulate interests into collective proposals for policy change. Instead, weak political parties, professional associations and labour unions -as well as a lack of organization in the informal sector- forced young Egyptians into despair. In the years leading up to January 25, 2011, slums dwellers organized small demonstrations and blocked main roads, including the circular roads that connect the rich to their gated communities in the desert and the northern coast.

The call for revolt in the Egyptian Spring resonated with countless others, because this multidimensional exclusionary process is not confined to a specific group, but affects people in rural areas, the urban lower middle class, as well as the poor.

In Morocco's case, we are aware of the dualistic pattern of development going back to the colonial period, where most of it focused in the plains and coastal areas that were considered to make up "useful Morocco," while the interior regions were left to their own devices as "useless Morocco."[46] Unfortunately, post-independence governments continued the same policy, as evidenced for example, by the focus of all agricultural investment in the irrigated sector that was controlled by a small elite of landowners of vast estates. Meanwhile, the traditional rain-fed agricultural areas, where the majority of the rural population lived, had to cope with overpopulation as rural population doubled while land productivity remained unchanged. It is reported that in 2002, the total value of cereals produced in Morocco, which covers almost the entire production of rain-fed areas, came to only 14 billion Dirhams, or less than the value of smuggled goods from just two points.[47] Against this backdrop, it is easy to understand why rural income and human poverty rates have remained stubbornly high.

Population groups that used to make up the backbone of Moroccan society have, over time, been excluded from the development process and forced into precarious livelihoods. There is documented evidence that politically well-connected individuals made huge profits from trade in land that was to be covered by irrigation projects. For example, 40% of the land in the Sous-Massa region was bought by three individuals before a dam was built in the area.[48] In the name of modernity, traditional rights over what are called collective lands in Morocco have been undermined as far back as the colonial era. As a result, the state and public institutions can effectively dispossess traditional usufruct rights of farmers and pastoralists without compensation. Phosphate companies have used this system to push the traditional populations of mining regions off their lands and by doing so they destroyed the livelihood systems of pastoralists in particular.

Due to political interference in the economy and preponderance of rent-seeking behaviour by businessmen, the economy of MICs has been unable to take advantage of the substantial increase in the working-age population from around 40% in 1968 to between 50% and 58% in 2008. Instead, as noted earlier, we see a stagnation of labour force participation at rates well-below world averages, particularly for women, combined with unemployment rates that are substantially higher than global averages.

In a closed political system controlled by a political and economic elite, there is no incentive to push a social justice agenda. Despite the fact that most middle income countries can be classified as diversified economies, with Algeria and Iraq being the exceptions, their public finances show high dependence on royalties, indirect taxes and external assistance. Morocco may represent a special case with relatively high share of taxes in government revenues. The states did not push the taxation agenda, as they were not ready to give the citizen a say in how public funds are allocated. In addition, the lax taxation system allowed elites to avoid taxes and protected them from public security of their finances. A tax system would normally also follow a social justice agenda by taking from those who can pay and spending on those who need state support, but taxation without representation leads to rebellion and is not sustainable. No wonder the Arab countries have chosen to forego taxes as part of the social contract that has underpinned political exclusion for the majority. The absence of redistributive justice explains the higher than expected levels of human poverty we observe in the region, based on a comparison with other countries with similar GDP per capita levels. The lack of effective regulatory mechanisms and pervasive patron-client relationships further undermines the efficiency of public investments that are undertaken. At the same time, the absence of a rule based market discourages productive private investment.

Processes of exclusion in least developed countries

The patterns of exclusionary development are much clearer in Arab LDCs by virtue of stronger interaction between the social, political and economic spheres. Socio-economic development processes have been subverted through state-instigated malformation of tribal affiliations, thus breaking traditional symbiotic relationships amongst different population groups. Public expenditures have been used to underpin patron-client relationships, rendering public investments ineffective. By undermining public provision of basic services and productive infrastructure, misuse of public resources has led to the polarization of society with a small rich elite living amongst a sea of abject human poverty.

This pattern of exclusionary development has already led to the disintegration of the Somali state, the separation of South Sudan and continues to fuel conflict in North Sudan and Yemen. In Sudan, British colonialists put in place a process of exclusive development to grow cotton needed for their mills that only benefited a small part of the Nile basin and left the rest of the country in a state of backwardness by limiting external contacts. This policy, which unfortunately was not effectively reversed in the post-independence period, contributed to the eventual separation of the southern part of the country in 2011.[49]

The productive base of LDCs is still heavily dominated by the agricultural sector, despite oil revenues becoming increasingly important in both Sudan and Yemen since 1990. Hence, the evolution of these countries is marked by a struggle over who gets to access an increasingly limited supply of arable land and good quality pastures. By removing customary usufruct rights to land and pastures in the name of establishing a modern system of land management, ruling elites have excluded the majority from traditionally sanctioned systems of access to resources and have forced an ever larger number of people into more and more marginal areas. The well documented demise of Arab nomadic populations in Sudan, Somalia and Djibouti is witness to this process

The documentation shows that modern irrigated agriculture, whether in Sudan or Yemen, has been created through use of public resources. The benefits, however, have been appropriated by politically connected elites. Records also attests to the degradation of soil in Sudan due to the leasing of large tracts of land to political elites on nominal fees, who in turn lease the land to farmers at much higher rents on short leases. The Tahama irrigation initiative in water scarce Yemen substantially increased the availability of irrigated land, but control remained in the hands of the few well-connected.

Large scale use of formally banned tube wells fuelled by subsidized diesel in Yemen has led to the dispossession of small farmers as land became more valuable by virtue of being irrigated. This process generated substantial revenues for landowners of vast estates, but depleted scarce water resources. At the same time, incomes of smaller farmers were reduced as they were pushed onto increasingly marginal lands. This process is evinced by household budget surveys in Yemen, which show no statistically significant reduction in rural poverty between 1998 and 2006, while urban poverty declined appreciably in the same period.

The above exclusionary processes have generated and sustained many years of conflict in a number of countries and risk blowing into open conflict in Yemen. The threat or reality of conflict has adversely affected private investments in these countries, except in extractive industries.

The combination of exclusionary processes with limited resources has meant that the majority of the population in LDCs is subjugated to conditions of abject poverty. Widespread poverty in rural areas clearly demonstrates the failure of the development process. Poverty has limited the domestic market and has negatively affected the productive capacity of a large segment of the population that suffers from malnutrition and poor health. The countries have thus been frozen in a vicious cycle of low income, investment and productivity.

The limited revenue base of the state and the importance attached to spending money to keep ruling elites in power has meant that these countries have not invested heavily in improving their productive and social infrastructure. As a result, transport and communication networks are underdeveloped and health and education facilities are of limited reach and poor quality. The LDCs have not managed to make substantial progress in attaining the MDGs and most likely none of the goals will be achieved by 2015. The precarious nature of social peace and intermittent internal strife and conflict has even at times caused reversals of the limited gains obtained.

Insufficient and inefficient public interventions on basic social services have caused human poverty to mirror income poverty, with persistently high incidence of both at the national and sub-national levels. This is particularly evident in a country like Yemen where one observes an increase in disparities on both income and human poverty amongst governorates, with the gap between richer and poorer widening on both accounts. Rural areas suffer from higher levels of human poverty due to poor infrastructure and wider prevalence of social norms that limit access of local populations to social services, even in the rare cases where such services are offered.[50]

Due to mismanagement of land and water resources, Arab LDCs, which traditionally have been self-sufficient in food, with Sudan even considered at one point the bread basket of the Arab World, have become increasingly dependent on food imports. The resultant environmental decline has been particularly disastrous for nomadic populations, because it decimated their herds following years of consecutive droughts.

In addition, consolidating exclusionary forms of decision- making has tended to reinforce traditional male dominated behaviours not only at the national level, but also in the community and in the private sphere where women are effectively excluded from the decision making process. As a result, all Arab LDCs do poorly on specific gender MDG targets such as high maternal mortality rates, as well as major gender disparities in terms of access to economic opportunities and political representation. Conditions of conflict have further marginalized women by reaffirming the traditional role of men as warriors and by reinforcing male dominated tribal structures. The lack of women's empowerment, through their exclusion from control of environmental assets and household income, perpetuates the status quo of women and hinders the attainment of MDGs in general.

The accentuation of income disparities due to the processes discussed above has prevented the growth of a large domestic market rendering local economies incapable of creating significant numbers of jobs in the industrial sector. The process has also prevented the emergence of a well-educated and healthy work force. In addition, falling childhood mortality rates, thanks to better control of communicable childhood diseases, created rapidly growing populations and by default, ever rising unemployment and underemployment, particularly amongst youth and women. The rise in the numbers of unemployed and working poor translates into stagnant generalized rural poverty that risks undermining social stability and reducing effective demand. In turn, this sustains the vicious cycle of jobless growth, leading to higher unemployment that lowers growth by further reducing demand and exacerbating social instability.

The end result of non-inclusive development has been significantly higher general unemployment rates than the regional average of 10%, with the alarmingly high rate of 18% amongst women.[51] The above is likely to underestimate the true extent of unemployment, as official figures are typically in the nature of guesstimates, not linked to labour market information systems. In addition, many of the poor cannot afford to be unemployed but are engaged in low productivity, part-time jobs that fail to provide them with a living wage.

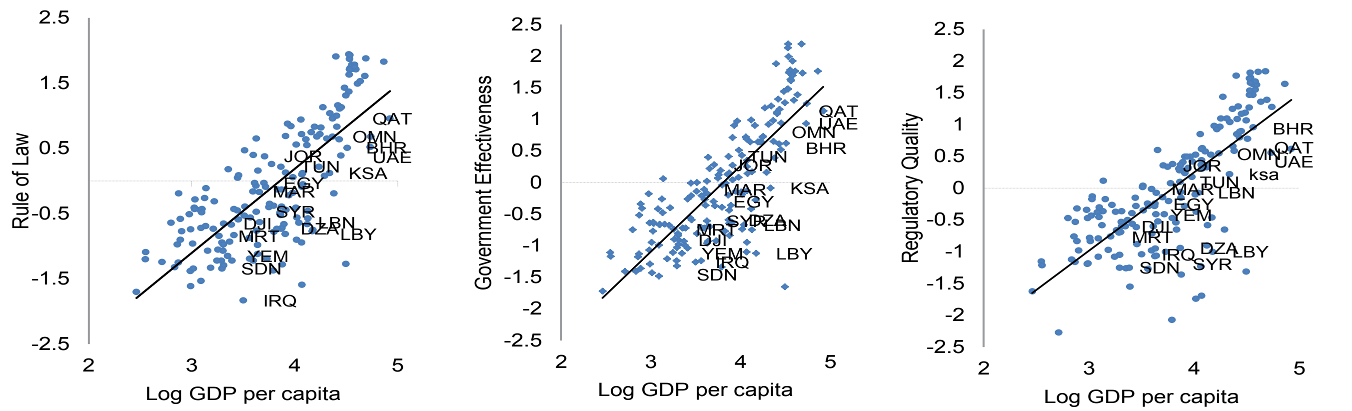
Governance Deficits Perpetuating Exclusion

Our analysis of development challenges in the previous sections illustrates the failure of the region to translate its material wealth into commensurate improvements in human wellbeing, which are in large part due to deeply entrenched governance failures. Increased impunity of political, economic and administrative elites in the context of constrained freedoms and weakened accountability mechanisms have undermined equitable and inclusive economic growth. Joseph Stiglitz, Nobel laureate, declared the Tunisian revolution to be "proof of the need for fair play and voice, without which growth will not be enough for sustainable development".[52]

Equitable human development in the Arab region has been delayed by two governance deficits: one in state capacity and accountability and one in societies' empowerment. Hours of public debate following the Arab Spring indicates that the people are seeking: 1) enhanced legitimate leadership through free and fair elections in an environment of freedom of expression and organization; 2) responsive policies of inclusion and equity that are informed by inclusive partnerships between state and society; 3) effective anti-corruption mechanisms and social monitoring of public policies made possible by access to information; and 4) an independent judiciary.

Development is not only about wealth creation but also about wealth distribution and participation. Persistence poverty and the elimination thereof are the result of policy choices and not of inadvertent technical failures. To effectively address poverty, states have to assume a leadership role in expanding capabilities and freedoms and empowering people. This is a democratic governance agenda that requires paying particular attention to respecting people's rights and guaranteeing their dignity.[53]

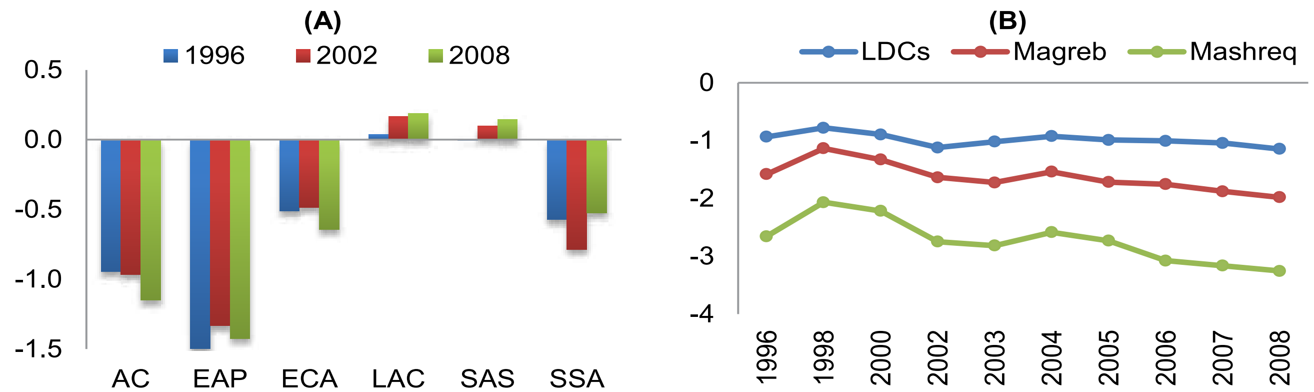
Figure 40: GDP per capita versus rule of law (A), government effectiveness (B) and regulatory quality estimates (C), 2009



Source: WDI online datasets.
Note: Arab Countries included are Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, UAE and Yemen.

Some particular elements of democratic governance are known to have a robust, positive correlation with economic performance measured in GDP per capita, namely effective government, quality of regulations and rule of law. This global trend is also manifest in the Arab states region. These elements of democratic governance correlate positively with economic performance in all three sub-groupings of the Arab region. The very high and high ranking Arab countries in terms of GDP per capita tend to have consistently higher indicators for rule of law, effective government and quality of regulations, while middle income and LDCs have lower indicators.

Figure 41: Voice and accountability for Arab and developing regions (A) and for Arab sub-regions, 1996-2008



Source: Authors' estimates based on WDI online data-sets.
Note: Arab Countries included in figure 40 (A) are Djibouti, Mauritania, Yemen, Morocco, Tunisia, Egypt, Jordan and Syria. For figure 40 (B) include the same countries as figure 40 (A) but grouped as LDCs (Djibouti, Mauritania and Yemen), Maghreb (Morocco and Tunisia) and Mashreq (Egypt, Jordan and Syria).

Beyond GDP as a measure of economic progress, there is equity and cohesion. There is considerable agreement on the elements of democratic governance that help to address issues of equity and social cohesion. Inclusive participation offers the opportunity for course correction through improved and responsive regulations; painful course correction is mediated through the participation of organizations for social conflict management and collective bargaining. All of that increases not only participation but also accountability. Both participation and accountability are fundamental to creating constituencies for social justice and to fostering national dialogue and consensus on policy options. Two important dimensions of democratic governance needed for equitable development, therefore, are participation and accountability of government to its people. Both dimensions, captured in a single index in figure 41, register consistently low scores and a deterioration since 1998.

Voice and accountability deficits have an immediate adverse effect on people's lives. Despite substantial investments in health and education across the Arab region, as reflected in the background paper on human development of this report, there is considerable evidence at the country level to indicate inequality of access to quality services in education, health and water and sanitation. This partly reflects an endemic structural disparity between rural and urban areas and partly a dynamic of social exclusion within urban areas (e.g. slum dwellers and migrant workers). Contributing to inequalities in service delivery is weak participation in and accountability of the budget process, both nationally and at the local level (table 8).

Table 8: Open Budget Index (OBI) for Arab countries, 2006-2010

2010 OBI rank	Country	Open Budget Index		
		2006	2008	2010
1	Jordan	50	53	50
2	Egypt	18	43	49
3	Lebanon	N/A	32	32
4	Morocco	19	28	28
5	Yemen	N/A	10	25
6	Saudi Arabia	N/A	1	1
7	Algeria	28	N/A	1
8	Iraq	N/A	N/A	0

Source: International Budget Partnership Survey.
Note: 1) OBI scores 81-100 = Extensive information/ OBI scores 61-80 = Significant/ OBI scores 41-60 = Some/ OBI scores 21-40 = Minimal / OBI scores 0-20 = Scant or no information. 2) All scores in the OBI 2010 are rounded to the nearest whole number, which, in the case of countries scoring slightly above zero, may not reflect that these countries do provide some, albeit extremely limited, budget information. This is the case for Iraq which had an OBI 2010 score of 0.4.

Structural drivers of exclusion

As noted in the background paper on governance deficits in Arab countries, six structural drivers of exclusion can readily be identified.

First, there is the role of a rentier economy and weak tax base. The coexistence in the region of a low average HDI (compared to the global average and to other developing regions) and low participation and accountability is perpetuated by rentier-based Arab economies in which there is a concentration of political and economic power. The predominance of rentier revenue as the basis of most Arab economies, both rich and poor, weakens incentives for participation and accountability. The fact that Arab regimes –with few exceptions– rely on oil revenue and remittances (and in some instances on international aid) and less so on direct and indirect tax revenues, perpetuates their ability to promise political and economic reforms, while remaining unaccountable for delivery of their promises and much less accountable to the poor and marginalized.[54]

Second, a disempowered local government is a strong driver of exclusion. Despite some legal commitment to decentralize power in several Arab countries (e.g. Egypt, Iraq, Lebanon and Morocco), diffusion of political and financial control is still weak, with the possible exception of Morocco. Administrative decentralization is the main feature of local government, coupled often with the marginalization of local societal forces from the process of keeping local governments accountable, due to the weakness of local electoral processes and thus of locally elected councils.[55]

Third, legal disempowerment propagates exclusion. Civic engagement in advocacy of collective rights has been hampered in many Arab countries by restrictive NGO laws that only allow charitable organizations often connected to the ruling elite. Advocacy NGOs that work to defend human rights are often restrained, with the exception of national human rights institutions. Against these odds, however, civic engagement is on the rise, including in several cases of litigation.[56] In fact, a network of civil society advocates of social, economic and political rights is building up in the region.

The missing constituency for social justice is a fourth important structural driver of exclusion. One missing constituency for social justice is the labour movement, which has been weakened through decades of economic liberalization and privatization, as well as restrictions on labour union formation and operation. For those working in the informal sector, social exclusion due to lack of social protection policies compounds their economic exclusion and their inability to organize themselves and engage in collective bargaining.[57] The other potential constituency for social change, namely the middle class, has been weakened through economic liberalization policies. It has had its income eroded over time and its ability to participate in the political arena curtailed. Declining quality of education has further weakened the ability of the middle class to spearhead movements for social justice. Furthermore, education in the region does not include civic and human rights education as a core message. A critical mass of the middle class has problems in translating its dreams or frustrations into rights-based agendas.[58]

Fifth, the business class, through its changing role, has arguably fostered exclusion in Arab countries. The business class in the Arab region has seen its character radically transformed in the period since 1970 due to the dynamics of its relationship with the ruling political elite and implications of economic liberalization policies on its strategic interests. While business communities have been increasing, their cohesion has been undermined through large numbers of politically connected new entrants into the group. With variations, the business community in the Arab region has favoured liberalization of national economies but refrained from fostering or demanding democratization. The business class of the Arab region was weakened as a force for democratic and inclusive development. This has been exacerbated by the deindustrialization process that reinforced the supremacy of the trading elite over industrial capital. The trading elites did not feel compelled to advocate for stable policies, social peace and an accountable governance structure, as they could benefit from the anarchy that prevailed thanks to lack of checks and balances on the executive branch. Furthermore, economic liberalization invariably resulted in concentrating power and wealth in the hands of the few.[59]

Last, but by no means least, security and oppression are powerful structural forces that perpetuate exclusion in Arab countries. Stability has been associated with oppressive police and military presence rather than being buttressed by laws and inclusive development. This manifests itself in the irony of having conflict affected countries, such as Palestine and Lebanon, scoring higher on democracy than "stable" countries in the region. The democratic space available in these conflict affected countries, however, has been constrained, in the case of Palestine by continuous oppressive police and military presence of an occupying power.

In the region, stability furthermore has become synonymous with stability of incumbent ruling elites.[60] In the name of national security and stability, high military expenditures have not been scrutinized by legislative institutions, leaving little room for expenditures on basic social services and reducing resources available for local and regional economic development and to disaster risk management and environmental sustainability.[61]

An oppressive model of stability has been condoned by external forces. Putting security before development, several regional and international powers have accepted the oppressive regimes in the region because of geo-strategic alliances that protected their national interests.[62]

Institutional drivers of exclusion[63]

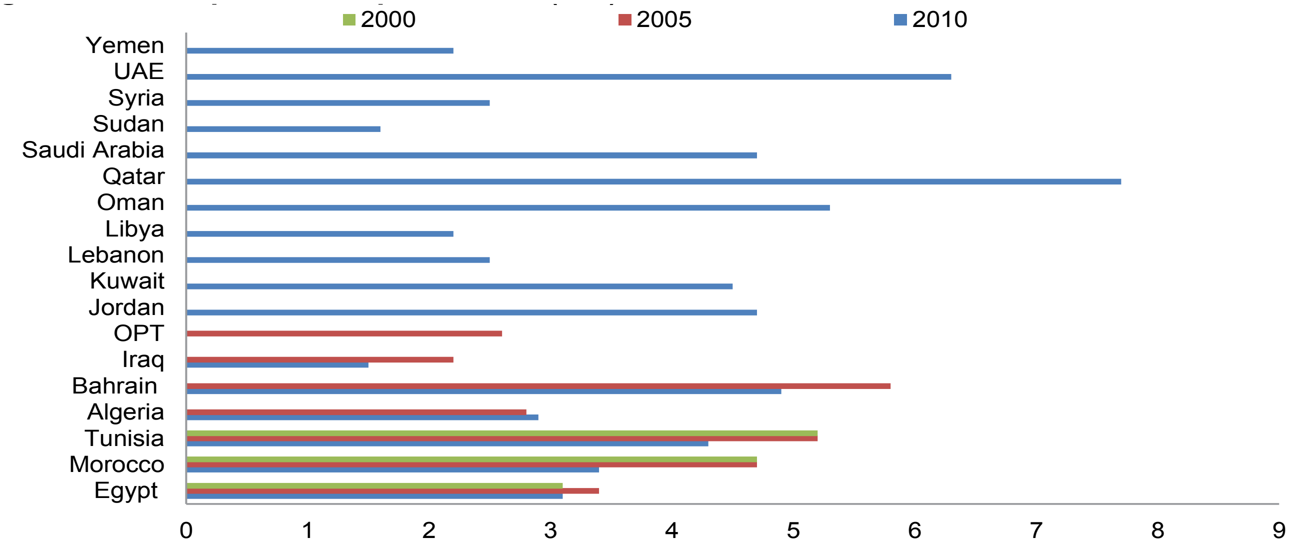
First there is the legacy of a formalistic governance reform. Elites who are more interested in stability than in deep reform adopted palliative improvements in governance for show. The spectacle led to anger and defiance. Elections are a case in point: Arab countries regularly run local and national elections and though commendable, the quality of the electoral process has deficits in practice, in electoral professionalism, especially in election management bodies and in openness and competitiveness. Arab civil society and the judiciary have reacted strongly to these deficits. In fact, it is now argued that the badly rigged elections of 2010 in Egypt became the last nail in the coffin of the old regime. Mollifying reform for appearances' sake also applies to corruption and gender where, despite legal provisions to redress, corrupt and gender-based unjust practices go on unpunished. With the ongoing Arab awakening, formalistic governance reform is unlikely to continue to pacify the Arab street.

Second, when it comes to corruption, governance failure is deep and complex. It has been identified in several Arab countries as a major hurdle to investment and business (Egypt, Libya, Algeria, Jordan, Morocco and Lebanon). In the World Economic Forum survey, countries with a high frequency of complaints about inefficient government are spread across North Africa, the Mashreq and some of the oil-rich Arab countries. Bureaucracy is another phenomenon that is frequently cited among the hurdles to doing business and an impediment to effective action in dealing with corruption.

What renders the situation explosive in the Arab region is the combination of corruption with high levels of regional economic inequality within countries and high levels of nepotism that deprive vulnerable groups of jobs and services. Political loyalty networks give impunity to the corrupt and weaken judicial independence. Closed public space and weak oversight from parliaments (that have become implicated in serious corruption cases) ended up eating into the legitimacy of incumbent regimes, including legislatures.

Against that context, societal pressure to combat corruption is increasing in the Arab region through, for example, human rights-based advocacy supported by legal activism in high profile cases, especially in the past five years. Web-based movements such as Shayfenkum and CSOs against corruption or for the protection of consumers are also good examples. Anti-corruption mechanisms have been increasing in number and so have some pioneering attempts to measure and monitor corruption in the Arab region (Egypt and Palestine).

Figure 42: Corruption Perception Index (CPI) for Arab countries, 2000-2010



Source: Transparency International
Note: score 10 = good; blanks=missing data

The picture on corruption as a governance failure is not complete without a look at a third important institutional driver of exclusion, namely, rule of law. Oddly, the rule of law index in the Arab Democracy Index of 2010 shows improved scores for most Arab countries, except for Yemen and Palestine. This is a commendable result, though the authors of the ADI warn against excessive optimism since the scores are a reflection of technical improvements in measurement as much as they may reflect substantive improvement in governance. Several Arab countries have witnessed intense public anger that has accumulated over the years against the police. The uneasy relationship between police and people has become a defining feature of both the Tunisian and the Egyptian transitions.

This has been attributed to the belief that the police are protectors of the regime and not the people. Anti-terror laws, emergency laws and security concerns in general continue to provide pretexts for detention without trial, torture and military trials of civilians.

Figure 43: Arab Democracy Index indicators, 2008 and 2009

Source: Arab Reform Initiative and The Palestinian Centre for Policy and Survey Research, http://www.arab-reform.net/IMG/pdf/annual_rep_010_english.pdf

Rule of law is not an abstract institutional construct. The issue is often about the "law" as much as it is about its rule. Several Arab countries have national laws that significantly fall short of signed and ratified international conventions. Anecdotal evidence indicates that the legal profession in the region has not yet started to reference international conventions in order to put pressure on the national frameworks to align with the countries' commitments. The past five years, however, have seen increased public interest litigation to raise awareness of how laws are in violation of social, economic and cultural rights as well as civil and political rights.

Fourth, there is the judiciary. Judicial independence is the last line of defence and is pivotal for the effectiveness of accountability tools, especially when those who are to be held accountable are either politically or economically powerful, or both. The World Competitiveness Index of the World Economic Forum, which ranks 14 Arab countries among 139 countries worldwide, registered in 2010 three Arab countries in the upper 1/3 on lack of judicial independence (relative to the rest of the sample).Two of those three Arab countries ranked in the upper 1/3 on favouritism of decision by government officials (i.e. high favouritism relative to others in the sample).

Table 9: Ranking of the judicial independence and government favouritism components of the Global Competitiveness Index, 2010

Institutions	Country rank/139							
	Algeria	Bahrain	Egypt	Jordan	Kuwait	Lebanon	Libya	Morocco
Judicial Independence	112	34	63	48	36	113	95	79
Favouritism in decisions of government officials	82	42	95	44	47	136	122	52

Source: WEF

Several Arab countries have anchored the independence of the judiciary in their constitutions. However, two sets of factors have impacted negatively on the fulfilment of this constitutional principle. One is contextual and has to do with political systems; the other is institutional and has to do with internal safeguards of judicial independence.

The crisis of participation is a fifth institutional exclusion driver. When elections take place in the region (see annex table 38) turn out is weak because elections have lost their meaning and function as channels of participation and accountability. They have become a non-credible option due to the weakness of political parties and the sluggish professionalism of electoral management bodies. In several countries, elections have become terrain for tribal and family networks to assert their power and distribute the spoils of economic rent among themselves and their followers, often at the expense of wide participation and accountability. Participation between elections is also weak and characterized by constant push and pull. Arab states have, for instance, restricted freedom of expression and association through constitutional and legislative means. This has hampered the formation of institutions and processes of social conflict management and collective bargaining.

Institutional reforms in the latest election rounds in Tunisia and Egypt, where turn out has registered significant increase, attest to the importance of institutional incentives to free participation. In both countries, electoral systems and electoral management bodies introduced new rules in the context of an Arab Spring; these new rules enhanced people's trust and confidence and thus their turn out.

Sixth is the freedom of information which empowers participation. Arab regimes have limited broadband infrastructure and interrupted or strongly monitored internet connections to stem off criticism. Beyond internet-based social media, free access to public information is often regulated through a freedom of information act such as the one Jordan has and that both Yemen and Egypt have been trying to draft. In reaction to restrictive public space, more open public space and free flow of information will guarantee correction of planning and regulate errors, as well as induce more competitive procurement and accountable provision of services.

Finally, local governance is a powerful institutional driver of exclusion in most Arab countries. The Tunisian revolution, ignited by a young man who was forced to work as a street vendor in one of the deprived regions of the country, brought the troubles of local governance to the fore. The Tunisian call for the dissolution of all local councils and the removal of local governors underlines the deep distrust of local government and the serious rift between people and their local government.

In general, the state of local governance in the Arab world shows problematic exclusion and strong centralization. Exclusionary dynamics for women and for the young are particularly alarming at the local level. In Yemen, for instance, the number of female candidates taking part in local elections was reported to be very low.[64] The same is true of local elections in Lebanon, Iraq and Egypt. This is partly due to weak women's representation inside political parties or on political party lists of candidates, especially at the local level. However, more and more young people are participating in public debate, making use of high-tech communication tools and social networking sites such as Facebook and Twitter. It is still early to tell how much this new era of social media will encourage participation in local area development, deepen citizen participation in local planning and keep local governments accountable for equitable service delivery.

Towards Accountable, Capable States with Inclusive Participation

Lessons learned from political and economic transformation in other countries

The burden of multiple exclusion (social, economic and political) in the Arab region has resulted in popular outrage that provoked the "Arab Spring." This is a historic phase of transition that may or may not result in transformation. Transitions are understood as the periods during which established regimes (rulers, structures and processes) are dismantled and new ones are constructed. The newly constructed ones may live up to people's aspirations or may not.

The variety of transitional pathways is evident in the multiplicity of processes and outcomes to be found in Southern Europe, Latin America, Asia, Africa and Eastern Europe. Each country is specific in its transition and in its domestic, regional and global context. Hence, we cannot automatically replicate any of the transitional pathways, but we can learn lessons that will inform an understanding of transitions and expectations to achieve change.

Transitions are protracted processes

If there is any lesson to be learned from other transitions, it is that they are often protracted. If one takes the first free and fair elections to parliament after years of authoritarian or autocratic rule as an important milestone, one realizes that in Europe (both Southern and Eastern) transitions have varied from four to seven months in Greece, East Germany, Romania, Bulgaria and Czechoslovakia, while transitions towards the same milestone have taken one year to eighteen months in Portugal, Spain, Poland and Hungary.[65] A similar observation is to be made about transitions away from authoritarian rule in South America. If the duration of the transition is to be measured in terms of its ability to produce free and fair elections followed by resilient democratic institutions that withstand risks of break down into military or civilian authoritarian rule, then the four big countries of Mexico, Brazil, Argentina and Chile have seen transitions that stretched over several years.

One could look at the case of Mexico as a gradual transition over 70 years. Long and sometimes violent, the road started with a revolution (1910), went on to a constitution (1917), the assassination of the first president elect (1929), the election of the first civilian president (1946) and arrived at a critical junction with the beginning of mass protests against lack of political liberalization in the 1950s. It was not until 1977 that the opening of the party system allowed for more than the one party rule of the PRI. Internal party feuds and the PRI's flagrant electoral fraud in the mid-1980s were signs of its demise. PRI started to lose control of municipal elections in the 1990s, but its loss of absolute majority in parliament did not occur until 1997, thanks in part to an independent electoral management body created in 1990. Only in 2000 did the PRI lose its first presidential elections in seven decades.

Transitions are uncertain by nature

Transitions are naturally uncertain, as O'Donnell and Schmitter asserted back in 1986. Whether the transition starts with a total rupture with the past (East Germany in 1990s) or with a negotiated change by elements of the authoritarian regime allowing some political liberalization (Argentina 1969-73), the process is in constant flux as forces outside the regime (opposition) and the liberalizing elements of a regime constantly try to outdo and outsmart each other.[66] There is no guarantee that transitions will succeed in propelling societies forward on the road to democratic and economic transformation. Between 1900 and 1970, two thirds of South American transitions relapsed into autocracy within three to five years.[67]

Chile is another case in point. A coup by Pinochet ended Chile's long tradition of constitutional government. Society resented being under military rule for well over a decade. Despite Pinochet's successful macroeconomic policies, economic transformation bypassed many poor and middle-class families. Thus, in 1982, an economic collapse led to massive social protests and the opposition pressed the armed forces to negotiate an immediate transition in 1983. However, only limited political concessions were obtained. Two years later, eleven groups including prominent conservatives signed the National Accord for a Return to Full Democracy, but the accord collapsed as most of the conservatives backed Pinochet. Until 1988, opposition leaders continued to demand free and open elections. The state of emergency was finally lifted in August 1988 and in October Chileans held a plebiscite on whether Pinochet's term should be extended to 1997. 55% of the electorate voted no.

Transitions are the work of both elites and masses

Many observers of transitions have considered them the work of elites, especially the so-called soft liners of incumbent ruling elites (O'Donnell 1979a and Huntington 1984, Whitehead 1986, Stepan 1988). Experience tells us, however, that no transition takes place without pressure from societal forces; the fundamental role of labour unions in Europe (and in Tunisia), of peasant groups, church groups and neighbourhood associations in south America cannot be denied (Therborn 1977 and Stephens 1987).

Brazil is yet another example. The transition from the mid1960s to the mid1980s saw the country move out of military rule via massive demonstrations. The result was a democratically elected civilian president coming from the ranks of the opposition. Brazil's military rule maintained significant institutions typical of liberal democracy. It also embarked upon economic liberalization. Both features helped create the total rupture with the past. Though the opposition had difficulties voicing its opinions between 1969 and 1974, it became increasingly independent after 1974 as the military allowed for competitive elections hoping to boost its own legitimacy, given the backdrop of unpopular economic liberalization. Popular movements surged between 1977 and 1980. A severe recession began in 1980. Numerous associations and local movements emerged and demonstrated across the country. In the 1982 elections, the opposition won most of the major states' governor seats accounting for 60% of Brazil's population and 74% of the country's GDP. In three and half months there were hundreds of demonstrations across the country demanding presidential elections. The government managed to fend off the calls for direct elections by instituting an electoral college, in which congressional delegates and state assembly members voted for the president. However, massive public demonstrations helped split the government party and achieve the desired goal: a civilian elected president.[68]

While societal mass mobilization is important in triggering transitions, social forces are, however, less influential in shaping the consolidation of institutions. What influences the latter are elite decisions and compromises and negotiated elite pacts that determine the nature of institutions and the rules of the game. Reflecting on the role of social forces during the transitions of the 1980s and 1990s in Europe and South America, P. Schmitter reminds us that negotiated elite pacts outnumber revolutionary transitions. The downside of this observation is that in pacts between elites of the opposition and the old regimes, which outnumber revolutionary changes, privileges are locked-in, making distributive policies, especially of wealth and assets, harder to achieve (P. Schmitter, 2010).

Transitions that succeed are based on commitment

Some political scientists consider democracy an unintended outcome of acts of compromise by non-democrats (Rustow 1970, Huntington 1984). Others have wondered about the challenge of getting democracy from the hands of non-democrats (G. Salame 1994) and have drawn lessons that confirm the need for commitment to democratic rule otherwise transitions cannot consolidate democracy (Dahl 1971, Lijphart 1977). Commenting on 25 years of transitions and consolidations, P. Schmitter asserts that disappointment in democracy and its institutions increased over time, yet there has been no sign of desire for another form of government and few signs of support for avowedly autocratic leaders. The challenge is to continue to encourage commitment to a constant process of deepening democracy without succumbing to cynicism.

Transitions tend to focus in the immediate phase on political change

The experience of nine Southern and Eastern European countries indicates that transitions tend to focus on four key milestones that consume most actors' attention and energy: (i) elections, (ii) electoral systems, (iii) electoral management bodies and (iv) constitutions.

In all nine countries, elections were held within four to eighteen months of the transition as a signal of rupture with the old discredited regime and as a means to ensure the legitimacy of the new one. Quick elections also constitute a concrete step on the roadmap of democratization and focus attention on the electoral campaign. Given the fact that quick elections give little time for political parties to organize and campaign, especially as most of them are often too new on the scene and too weak, almost all of the nine European cases chose to have an element of proportional representation to allow for the inclusion of diverse political parties and views. Given the history of fraudulent elections in those nine cases, almost all opted for an independent electoral management body to guarantee genuinely free and fair elections. Those bodies were composed of independent figures and/or political party representatives.

All nine countries managed to produce a new constitution within one to two years as a cornerstone of the transformation in power relations. Experience varied on the constitution-making process, with some opting for amendments to existing constitutions (Czechoslovakia, Poland, Hungary), others scrapping the old constitutions and writing new ones (Romania, Bulgaria, Portugal) and a few adopting changes to existing constitutions before writing a new one (Greece and Spain). Most of the nine European countries surveyed charged parliaments with this task (Greece, Spain, Hungary, Poland, Czechoslovakia), while Portugal made it the responsibility of a constituent assembly and a few allowed a combined parliament and constituent assembly forum to do the job (Bulgaria and Romania).[69]

Differential socioeconomic outcomes of transitions

The Latin American & Caribbean and European experience shows that the ultimate socio economic outcome of transitions could be minimal, with no change in the distribution of wealth and assets. Most transitions so far have witnessed a lag between the time of political liberalization and the institutionalization of socio economic policies that ensure distributive social justice.[70]

There are different explanations for transitions that produce political transformations but not socio economic ones. One is related to the direction of causality between political and economic transformations. In the 1960s and 1970s, many analysts argued that political development does not drive economic development;[71] it is rather a derivative of economic development. Income and literacy levels and urbanization were considered necessary preludes to political development and not the other way around. This was echoed by dependency and bureaucratic authoritarianism literature in South America which also considered a country's position in the global system of production (G. Frank, I. Wallerstein) as determining of its political system and not the other way around.

A second explanation for the lag of social justice behind political liberalization has to do with the coalitions that lead such transitions. Transitions are usually induced by societies that are discontented with concentration of power and wealth caused by years of impunity. When alerted to possible transformation in power and wealth relations, those in power or in possession of economic privileges will do everything they can to subvert change. The success of those leading the call for change lies in their ability to calm the fears of those who benefited from the status quo. In many instances, elements of the old regime coalesce with some of the opponents to produce a centrist alliance that chooses not to push for revolutionary redistributive policies.

The existing economic development model at the time of a democratic transition provides the third explanation for the lag in social justice behind political liberalization. The general observation is based on the Latin American experience and should be kept in mind, as transitions in these countries were mostly after import substitution industrialization had run its course. They also happened after the years of the oil boom (1970s) which resulted in avid borrowing that ended in recession in the 1980s. Enthusiasm for policies that enhanced distribution and social justice was not there. Eastern European democratic transitions were actually marked by an increase in inequality and social and economic exclusion after years of communism.

A new social contract

The contestation movement in the region asks for deeper democratic practices, building on the twin pillars of an accountable and capable state and a society that is empowered through inclusive participation. The cry for dignity calls for a development agenda that affirms the centrality of human development and poverty reduction. This is likely to require more comprehensive state-led action to enlarge investment in public assets and direct private sector activity towards accelerated decent job creation. Whether the required public productive infrastructure is created by the state or through public or private partnerships depends on the particular country's circumstances.

The most important imperative is that states be held accountable by the citizens and to honour their civic, political, social, economic and cultural rights in a progressive manner. This is the only way multiple dynamics of exclusion can be reversed.

Building constituencies for a new social contract

One of the fundamental reasons for the current contestation movement in the Arab region is concern about governance failures. Of particular relevance to prospects for growth and investments is rampant corruption and a justice system that has proven itself incapable of upholding the rule of law in a consistent manner.

Deepening democratic governance is a necessary prerequisite for a new social contract that binds state and society in the context of inclusive, transparent and accountable governance to support social and economic inclusion in an environmentally sustainable development model. There is a need for constituencies for social and economic inclusive policies in the form of strong political parties and independent professional associations and labour unions. These will have to be empowered through freedom of information acts and more open budgeting processes. Currently, public life is reduced to the national level and monopolized by dominant elites in one ruling party. With increased freedom of expression and organization at the local level, democratic governance processes will build and nurture organizational, managerial and political caliber for national politics. Inclusive participation will make government more accountable and less prone to capture by elites.

The revival of Arab economies is contingent upon governance reforms. Particularly critical is having in place well-functioning mechanisms that oversee the actions of the executive branch. The citizens demand a system that allows them to seek redress if their rights are violated or public assets misappropriated. To that end, it is critical that judicial systems be given full autonomy from the executive branch and be provided with the requisite means to rule expeditiously on cases brought before them. Long term investment will only begin to flow to sectors other than natural resources when investors are convinced that they can seek enforcement of contracts.

Some key governance prerequisites for implementing a new social contract

The same measures that will help build social and political constituencies for social inclusion will also support the development of institutions that will manage social conflict.[72] The "Arab Spring" has demonstrated beyond any doubt that Arab society suffered from weak or non-existent institutional arrangements that could absorb and manage mounting anger and relative deprivation. Building political parties with social bases and independent professional associations and labour unions that engage their respective constituencies will provide the state and society with institutional channels for conflict management.

Furthermore, with political and fiscal decentralization, local governance will provide communities the mechanisms and processes necessary for accountability to ensure equitable delivery of services. Most importantly, inclusive participation and accountability at the local level will create fertile ground for new leadership that gets to practice pluralist politics and develop management at the base.

All of the above will require the strengthening of judicial independence as the foundation stone for protection of fundamental rights (civil, political, social, economic and cultural). Careful attention should be paid to the relationship between the judiciary and the police and to the role of the army as guardian of national sovereignty, not of individuals in power.

A new development model, anchored in a rights-based social contract, can set in motion a virtuous cycle of mutually reinforcing political, social and economic inclusion processes. It can open up public space for participation and strengthen accountability mechanisms.

A new development vision can enable the region to use its considerable finances and human resources more efficiently and effectively, by shifting away from temporary solutions to long term policies that promote sustainable and equitable development. To respond to the demand of youth in the region for dignity, freedom and social justice, the Arab world needs to adopt a development model that enlarges the choices open to citizens as active agents. This requires moving from the non-developmental oil-led growth model to a developmental state model that emphasizes productive sector performance, addresses poverty, reduces inequality and creates decent jobs.

This new vision will have to put the human being at the centre of the development debate and find ways to use the abundant natural wealth of the region to assure freedom from want and fear.

The poor development outcomes in the region have been largely caused by inefficient use of substantial financial resources, due largely to non-accountable and non-responsive governance structures, underpinned by the politics of patronage. In order for this to change, the state has to become accountable to the population and at the same time hold citizens accountable for their obligations to respect a rule-based socio-economic system. A new social contract of mutual accountability would improve efficiency in the use of public resources, enhance equity and foster transformational growth. It would also facilitate more tax revenues by promoting a culture of responsible citizenship, fostering broad-based growth which in turn increases the resources available for redistribution and sustainable service provision.

The young revolutionaries in Egypt and Tunisia have already demonstrated aspirations for such a new contract, asking for a more accountable government while they take upon themselves their rightful civic responsibility as citizens. This was manifested in both countries by the emergence of popular neighbourhood watch committees in the course of the revolutions to fill the gap left by the sudden disappearance of the police from the streets. There is heated debate ongoing in both countries about the exact contours of this new social contract, including a desire to have it enshrined in the new or amended constitutions.

The constitutions of a revitalized Arab region should clearly spell out the developmental role of the state and enshrine the right to development for all citizens. They should further provide the means to hold states accountable by stipulating the right to information and open discussion.

Inclusive political and economic systems

A developmental Arab region would actively promote balanced development through macro-economic policies that target decent and productive employment. The state would balance economic growth and social development through the use of state resources and influence to tackle poverty and expand economic opportunities.

Arab states have been intervening in the economy, but their interventions have unfortunately been driven by rent-seeking behaviour as opposed to promoting the public good. Changing the nature and motive of their interventions in the market is contingent upon their transformation into developmental states, as a result of democratic transformations in which the state becomes subservient to and an expression of popular will. The reformed states can then be expected to intervene in the economy with the objective of creating a genuinely level playing field by correcting market failures and promoting social cohesion by facilitating human-centred economic development and income redistribution.

The Arab developmental state would engage in deliberate guidance of national economic development by mobilizing resources and directing them toward the realization of common goals. It would place priority on an inclusive market that provides the population at large with the desired opportunity to lead a productive life in dignity.

A developmental state would be one capable of directing and supporting economic development though building a strong public service, creating equal access to investment opportunities for all investors, supporting small business development, using state owned enterprises effectively and driving strategic investment initiatives. The state would keep the economy competitive and close to the leading edge in the global development of knowledge and technology. It would dedicate its resources to further human development, rather than engage in the politics of patronage.

Given the rampant rent-seeking reputation of the state and private sector in the region, state-led macroeconomic management has to be carefully calibrated to block elites from appropriating well-intentioned programmes. The best guarantee against such practices would be to deepen democracy, through revisiting the current institutional frameworks. There is no substitute for effective participation of all citizens in setting public policy through strengthened mutual accountability of state and citizens.

Another important guarantee of inclusive development is to institute mechanisms and processes of legal empowerment of the poor so as to enable them to break through poverty traps and disrupt exclusionary dynamics. In order to do so, the poor must be able to rely on a respected and protected legal identity, a space to organize themselves and a collective voice to influence the enforcement of laws, policy and regulatory decisions. Granting civil space to the poor is crucial for their growing into right holders and stakeholders (in policy making). Participatory governance in this agenda is about bringing de jure solutions closer to the reality of those excluded in the Arab region, chiefly the most vulnerable of the Arab poor. Facilitating participatory governance is crucial to legal empowerment in at least three dimensions: (1) to understand, thus to take into account the complex and diverse realities of poor communities, (2) to refine and enhance the normative and judicial decisions of the state and (3) to ensure equitable delivery of services.

To sum up, in the medium term, the Arab region has to adopt a new development model that moves beyond neo-liberal orthodoxy to target poverty reduction and the MDGs. This model would be anchored in diversified economic growth that emphasizes decent and productive employment generation and poverty reduction within a sustainable development approach. Business as usual is no longer possible as the region is reaching the limits of what its fragile environment will bear and can only avert a major water and eventually energy crisis by radically reorienting its development track along a more socially and environmentally sustainable path. The days of aiming for short-term economic gains at the expense of future generations are over.

Shift to employment-led growth

International best practices and experiences suggest that to realize inclusive growth, the Arab region would need to ensure: a) a concentration of growth in economic sectors that can directly benefit the poor; b) an enabling environment that promotes their employment and real incomes; and c) enhancement of their basic human capabilities. While rapid growth is essential for poverty reduction, it has to be equity based and human centred. In this context, reform of social institutions such as the system of land holding and conflict resolution mechanisms towards more equitable systems is a central prerequisite for success.

The centre piece of the new development vision for a transformed Arab region has to be a sustainable pattern of spatially balanced economic growth focused on employment. Nothing short of this radical departure from the past will enable the region to provide the Bouazizis[73] of this world the chance to live in dignity and provide for their families in their hitherto neglected home regions. Employment needs to be targeted as a macroeconomic variable.[74] The focus on real variables such as employment can complement the more conventional macroeconomic focus on nominal variables such as inflation.[75] A diagnostic and envisioning process that draws on realistic and evidence-based employment growth scenarios can be used to draw-up realistic employment targets.

To be effective, the employment targets defined at the macro level need to be translated into targeted employment objectives for specific sectors and incorporated into local development and territorial strategies, particularly in regions with high unemployment rates. As indicated earlier in this report, there is also need for a complementary focus on the poor who are trapped in the informal unreported labour sector, as well as more short-term measures to address the significant numbers of under-employed and the working poor.[76] The experience of national level employment guarantee programmes in countries such as India suggests that employment guarantees can be useful supplements to existing livelihood activities and can contribute to asset/service provision to stimulate additional employment opportunities.

The inclusive growth agenda can respond to the needs of the large number of working poor and informal sector workers, by including measures to increase their productivity and incomes. Simply generating jobs to absorb the openly unemployed is not enough. This adds to the enormity of the task at hand.

Macroeconomic policies

Such an employment-led growth process, calls for a substantial role and initiative on the part of the state. This would thus call for dispelling fears of crowding out private investment, which has long been a central pillar of the discredited old model of development. This process would help to identify the potential, scope and role of public investment as a complement to private investment. This would include investments that can more effectively mitigate risks relating to investing in new areas, or in activities where the payback period is relatively long –i.e. public investment can help to crowd in private investment. (Box 8 on the 2011 South African employment plan is a case in point.) The role of the state in promoting decent employment opportunities is critical for the well-being of the poor.

Box 8 Inclusive growth strategies: Key features of the 2011 South African employment plan

1. Short-term employment schemes: This includes the expansion of the Community Works Programme to up to a million positions by 2013/14.
2. Infrastructure and public investments: The systematic selection, planning and monitoring of large projects. This intervention will systematically improve the capacity of state agencies to deliver infrastructure and improve inter-agency coordination.
3. Unblocking investments in major projects: A small high level inter-agency team will focus on unblocking private-sector projects with a substantial impact on employment investment. Measures will include tougher action to address practices that limit the entry of new enterprises.
4. Interventions to improve competitiveness and expand the productive sectors: This will include Industrial Policy Action Plan (IPAP) by prioritizing actions that expand the productive sectors of the economy, reduce the costs of communication, transport, electricity, construction, food and strengthen the Competition Act.
5. Enterprise development and promotion of small businesses: Interventions include scaling up small business incubation programmes, use of the BBBEE Codes to encourage private sector support, improve small business funding and expand micro-finance.
6. Rural Development: Scaling up existing rural programmes aimed at expanding agricultural production by small scale farmers, extending core infrastructure to rural areas, increasing jobs and revitalizing rural towns. Targets will be set for investment in rural infrastructure.
7. Greening the economy: Power Purchase Agreements involving 1000MW of renewable energy by 2013 should be in place with a targeted 3800MW by 2016 with local procurement of technologies. Scale-up financial support to achieve the targeted million solar water heaters installed by 2014.
8. Public Sector Training: All Government Departments are to spend at least 1% of payroll costs to develop skills with regular reports on progress through the Department of Higher Education and Training (DHET).
9. Local procurement: Identify an initial list of products that can be designated for local procurement by the end of September 2011. Firm action to combat corruption in tender processes by establishing a high level team to consider complaints about tender delays or abuses that negatively impact on jobs, cost-effectiveness or economic development.

Source: 7th space INTERACTIVE
http://7thspace.com/headlines/390510/south_africa_statement_on_the_cabinet_lekgotla_26___28_july_2011_pretoria.html

Moreover, the state can also use taxation and transfer payments to reduce income inequalities by taking advantage of the great potential that exists for pro-poor macro policies given the low tax receipts and generally low levels of public debt in the region. Even consumption taxes, which tend to affect the poor proportionately more, can have an inequality-reducing impact if the revenues thus raised are used to provide quality services to the poor.

Planning and budgeting processes

Many Arab countries have produced vision documents, but these have mostly been academic exercises with little genuine popular participation. For the most part, they have been inspirational and not evidence-based -that is, they have neither taken into account the difficult choices ahead nor considered constraints. The shift to a new deliberative development process requires clearer articulation of longer-term visions around which whole societies can coalesce (note Malaysia and its Vision 2020 as a case where a vision was translated into economic transformation).

Such shared vision can provide the foundation on which medium term plans and annual budgets are produced. UNDP has amassed a lot of experience supporting vision exercises in Sub-Saharan Africa through participatory production of National Long Term Perspective Studies.[77] These exercises have been used to bring about national consensus in post-conflict contexts. They are most useful as settings for structured debates about the kind of society people aspire to have, as a follow-up to the contestation movement in the Arab region. The consensus that results from such an inclusive and participatory process would foster real stability underpinned by social cohesion, not the imposed stability that has so far been the distinguishing feature of the Arab region.

A healthy social dialogue and a well-articulated longer-term development vision can be expected to militate against the risk of frequent changes in policies that have been the norm in the region. As alluded to above, growth-employment scenarios can be used to identify the types of policies that are likely to be needed for different rates and kinds of growth in order to facilitate a social dialogue on the policy choices involved.[78] As such, they can provide a solid foundation on which a socially cohesive approach for the way forward can be initiated.

Participatory and accountable processes for use of public resources

Improved planning mechanisms normally include a consultative process that brings together the private sector and regional/provincial authorities to maximize synergy between public and private sectors and addresses regional disparities. This approach responds to the conclusions of the growth commission about the "need for long planning horizon and strong, sustained commitment to inclusive growth, underpinned by stable, honest and effective government."[79]

Additionally and notably, a clear link between the planning and budgeting processes must be established to ensure that plans are developed in a realistic framework and are used as guides in the budgeting process. The region is home to too many plans that are simply developed as a routine, with no clear agenda for mobilizing the required resources toward their realization. Unfortunately, annual budgeting processes in the region mostly pay formal heed to the plan. Sectoral budget allocations, in many cases, result from a bargaining process in which the ministers with greater political clout get all the resources they need, while others do not even have enough resources to pay for their operational expenses.

Weak traditions of accountability and transparency entail that budgets are not meaningfully discussed within parliaments. The budgets of many countries are so opaque that it is difficult to know how much is allocated to each objective. Open budget processes can ensure more effective use of public resources and encourage more meaningful popular oversight.

Creating fiscal space

A study by Rodriguez and Moreno (2006) finds that in 109 economies the sustainability of fiscal expansions depends on the type of expenditures. If the development payback is sufficiently high, then deficit-financed public investments are compatible with fiscal sustainability and an expanded share of government in the national economy. Clearly, the sustainability of a fiscal expansion depends on the purposes for which the expansion is undertaken. As Rodriguez and Moreno (2006) have shown empirically, whether such investments happen in defence spending or education, for instance, is critical from the perspective of fiscal sustainability (not just welfare maximization).

The above entails that when taking decisions regarding the approval of an increase in expenditure that raises the fiscal deficit, the authorities concerned need to carefully evaluate the total social and economic payback of the associated investment over a longer time horizon. Thus, in addition to looking at the eventual revenue stream of the project, if it has a commercial side to it, one needs to look at the extent to which the expenditure increase contributes to progress towards developmental benchmarks such as MDGs, compared to other interventions of similar cost.

Rather than adopting a target for the overall budget deficit, as is the norm, we suggest an approach that differentiates between current expenditures and development ones. Such a fiscal rule will ensure that fiscal restraint does not discourage growth in the aggregate public capital stock (the corresponding on-budget flow variable being gross public sector capital formation). On this count, the current budget deficit/surplus would be a logical indicator to choose.

We therefore argue that a zero current deficit rule is an important long-term policy target for fiscal responsibility in a long-term fiscal framework. While some allowances may be made for current deficits during a development transformation with external grant financing making up the shortfall, the long-term fiscal framework must plan for all such expenditures to be financed entirely out of current revenues. This is a non-negotiable requirement for a prudent long-term fiscal policy.

In this context, we would argue that it is important to strictly follow the present definition of what items can be treated as current (or recurrent) expenditures in the economic classification of public expenditures. Even though it is clear that current expenditures on health and education bring about long term gains and are thus qualitatively different from items such as defence expenditures, they would still be treated as current expenditures. This is to ensure that they can be provided on a continuous basis, no matter what. However, within current expenditures basic social services and recurrent support to productive sectors should clearly be shielded against cuts to the extent possible, given their high social benefits and developmental impact.

Even capital expenditures, which can be funded through deficit financing, have to meet certain strict criteria to ensure that they do not compromise long run fiscal sustainability. The macroeconomic analysis that supports capital expenditures would need to specify the future impact of the development transformation on the revenue base and the savings rate to enable fiscal policy makers to assess the long run fiscal sustainability of the suggested course of action. The long run sustainability rules would not contradict short-term rules of fiscal solvency and absorption capacity issues. However, long run development, with its transformative potential, should not be held hostage to rigid short-term fiscal constraints, such as a preset low limit to the overall budget deficit, inclusive of development expenditures.

In the short run, countries embarking on development transformations that require a permanent increase in public investment need to assess the desirability of the fiscal expansion by weighing the possible short run macroeconomic implications such as moderate rise in inflation and fiscal deficits against the expected long-term benefits. Furthermore, in countries where the scaling up of investments is initially financed by ODA, a strategy to exit from aid becomes operationally necessary to secure long-term fiscal sustainability.

The above discussion is based on a definition of fiscal space as "concrete policy actions to enhance domestic resource mobilization and the reforms necessary to secure the enabling governance, institutional and economic environment for these policy actions to become effective."[80] The focus on domestic resource mobilization in this definition underscores the ultimate dependence of the sustainability and solvency of an economy on (a) the extent to which domestic resources can finance public expenditures and (b) the relationship between the political economy context and mobilization of fiscal space in a sustainable manner.

We argue for zero current budget deficit in the long run in order to maintain financial prudence while funding badly needed public investments to bring about structural transformation. It goes without saying that there is no need to impose the same condition in the short-term, as even the IMF is beginning to admit for at least some of its richer member countries. Given the kind of radical transformation needed in the region, we have to have substantial public investment to create the productive infrastructure and required supportive operating environment for the private sector to prosper. This would require a radically different profile of public expenditures from the current one. Based on comparative experience, a revitalized Arab region has to focus on increasing the effectiveness of education expenditures and reducing military and security spending if it is to have sustainable fiscal deficits.

Differentiated approaches to expanding fiscal space

As indicated earlier, considerable scope exists for fiscal reform to underpin a healthy social contract and reduce current vulnerability of government revenues to external shocks. There is sufficient fiscal space for well-targeted public developmental expenditures to lay the foundation for a positive structural transformation of the region's economies. The realization of this potential is contingent upon implementation of a set of policies to raise more resources through taxation and switch expenditures away from costly and ineffective subsidy programmes and military expenditures. With the right mix of policy choices and proper oversight mechanisms, most countries can increase public investment by at least 2 percentage points of GDP. The scope for additional investment can be expanded substantially through regional action (explored in further detail below) whereby major oil-rich countries, who do not have a fiscal space problem, invest some of their oil income within the region.

LDCs are however in a precarious situation whether oil-rich or not. Given the huge need for scaling up of public investments in all LDCs, which would require very high investment to GDP ratios to realize, all of them require ODA in order to overcome their development challenges. Their low level of GDP per capita limits the potential contribution of taxation to revenues, while their infrastructural limitations necessitate substantial public investment. This of course, does not negate the need for Yemen and Sudan to review their expenditures and to minimize wasteful outflows on fuel subsidies and military hardware. There is also scope for increasing tax revenues, at least to levels that are obtained in other countries with similar GDP per capita levels.

For oil-poor countries, who are the group that needs to engage in deficit financing, assessments of the link between inflation and fiscal deficits in the region do not confirm the accepted dogma that fiscal deficits cause inflation. The fiscal space for middle-income diversified economies (Egypt, Syria and Morocco) and upper-middle income ones (Jordan, Lebanon and Tunisia) will have to be managed with care. Tourism, transfers and remittances play an important role in cushioning these economies. The latter group is, of course, in a more comfortable zone by virtue of the smaller population and higher level of developmental achievement. In that respect, the fiscal space constraint is considerably less binding than for the former group (although Lebanon's high debt to GDP ratio places it as a distinct outlier).

Syria, Morocco and Egypt have income levels that are too high for an aid-dependent development strategy (which in any case is not advisable), while at the same time they are still too poor to rely on traditional measures, such as expenditure switching. Egypt and Syria are in a particularly difficult situation given the latter's reliance on declining oil revenues and the former's relatively constrained space for increasing internal debt financing. For these countries, the solution to the fiscal problem will be contingent on their ability to find the right set of policies that would maximize fiscal space by increasing tax revenues and reducing wasteful expenditures so as to further diversify their economic base. For example, the high cost of fuel subsidies in Egypt, coupled with the findings from many recent World Bank studies regarding their inefficient targeting of the poor, makes a strong case for a radical change in policy. The difficulty of course, would be to implement this policy adjustment in such a way as to minimize the negative impact on the poor (for example, by shifting to natural gas to support public transportation systems). Egypt can also explore options for at least a partial write down of external debt contracted and appropriated by the previous regime.

On the revenue side, the move to a new social contract of mutual accountability of state and citizens opens up the scope for raising taxes. While subjects of states that are run exclusively by elites have every reason to avoid any taxes imposed on them, citizens who freely choose their leaders and can hold them accountable would find it difficult to condone tax evasion.

Do we dare tackle fuel subsidies?

Governments in the region have sought to mitigate the impact of food and fuel prices through subsidies. In many instances these subsidies have grown to significant levels. For oil and gas products subsidies, they also have the potential to lock countries into inefficient energy paths. Removing or redirecting fuel subsidies and refining the manner in which food subsidies are provided can both release resources for removing structural bottlenecks to growth and help reverse the worsening nutritional status of the population. Fuel subsidies have already been reduced by a number of countries, including Tunisia, Jordan and Syria. Syria and Jordan, in particular, have both reduced the scope of their fuel subsidy programmes in the latter part of 2000s, largely driven by budgetary necessity as the increasing fiscal cost of the subsidies became unbearable (Refer to Box 9 for more detail on the major features of the Syrian subsidy reduction programme and its results).

Box 9 Rationale for and benefits of reducing fuel subsidies in Syria

- Syria was forced to reduce fuel subsidies in 2008, due to their rising cost which covered diesel for transport, heating and power industry and heavy fuel for manufacturing industry. The cost of these subsidies reached US$ 7 billion by 2008. This was happening at a time when the government had problems even in financing current expenditures, let alone undertake the transformational investments needed as part of the 10th five year plan.
- The rising gap between local and international prices increased smuggling to about 1 million tons a year, almost 15 per cent of Syria's total consumption. Artificially low prices caused excess demand and consumption and encouraged energy-intensive manufacturing and services activities which would eventually have to close when prices could no longer be subsidized.
- The subsidies were also inequitable, with the top 10 per cent of income earners benefitting 52 times more in absolute terms -than the lowest 10 per cent of the population, as revealed by household consumption surveys of 2004 and 2007.
- The government had to pay the price of not having dealt with the issue in a planned manner by being forced to increase heating diesel prices by 260 per cent on June 1st 2008. In order to soften the impact of the increase on key economic sectors and the poor, the government planned to set up an export support fund, a social aid fund, an agricultural support fund and an industrial support fund to channel back 50% of the savings generated.
- Impact of subsidy reduction: the budget deficit dropped to less than 2 per cent of GDP in 2009 and public investments increased by 10 per cent and 12 per cent respectively in 2009 and 2010.
- The promised compensatory measures proved hard to establish and difficult to manage. Citizens were victims of wrangling between sector ministries and finance. The process of building and operating those new mechanisms was slow, over politicized and tactical rather than strategic. Despite all its failings, Syrian families received $1 billion worth of coupons for subsidized products in 2008-2009, which was replaced by an unconditional cash transfer of the same amount in 2010.
- Smuggling also went down substantially, saving Syria $2 billion of refined oil product imports.
- The feared inflationary impact of subsidy removal failed to materialize due to falling international food prices in the second half of 2008 and prudent monetary policy measures internally.

Source: Office of the Deputy Prime Minister, State Planning Commission and the Central Bureau of Statistic

Other countries can refer to the experience of these countries in order to avoid making the same mistakes and to ensure a more smooth and beneficial implementation of the policy. A shift from conventional sources of energy to sustainable energy can also be used to promote more environmentally sustainable development and to foster investment in sustainable energy options, including wind and solar power given the plentiful sunshine in the region.

With fuel subsidies accounting for as much as 15% of GDP in countries like Yemen, leaving them alone is not an option in the medium term. No matter how politically unpopular, steps have to be taken to remove them and the sooner such measures are taken the better. The longer one delays dealing with this problem the more entrenched the current energy intensive pattern of production becomes and the higher the eventual cost of a course correction will be. While all efforts at removing fuel subsidies have had their detractors and none have been without difficulties, it is clear that we cannot afford to continue to spend twice as much or more of what we spend to educate our children simply to fund our appetite for an energy-intensive lifestyle.

Inclusive and competitive markets

An inclusive market would require that the poor have access to credit on reasonable terms, as well as provide SMEs with the required governmental support services, including access to public contracts. To this end, financial sectors need to be reformed so that they move away from the current practice of only providing short-term credit to mostly well-connected individuals and companies, largely for trading purposes. There are additional prerequisites for equipping smaller firms against high fixed costs of entry into export markets, on a national, regional and global scale. As eloquently put by Professor Chang "the state could share risk with exporters through schemes like loan guarantees for exporters and insurance for payment defaults."[81]

Tailored responses to country characteristics

Response to the employment challenge in MICs is contingent upon moving up the value chain to higher productive activities that can capitalize on an increasingly educated labour force. To do this, Arab countries need to catch up with technological leaders in order to achieve levels of productivity and competitiveness that will allow them to be effective participants in the global economy and reap benefits from globalization. With the dawn of more open political systems in the region, economies too can become genuinely knowledge-based by providing scope for unrestricted pursuit of knowledge. Arab countries can adopt policies that expand indigenous technological capacities through knowledge-based assets that will lead to increased investment, productivity and growth.

For the LDCs, the employment and poverty challenge is strongly linked to the need for a major transformation of the agricultural sector where the majority of the population makes its living. There is an absolute need to increase labour productivity if we want income levels to rise and decent income earning opportunities to be created. This does not preclude expansion of cultivated areas in countries like Sudan, where water supply is plentiful.

In order for the region's economies to transform into modern, vibrant ones, the productivity of the industrial sector and agricultural and service sectors should be increased. Intensified globalization imposes a greater sense of urgency for Arab countries to initiate reforms that expand indigenous technological capacities and competitive advantages in higher value-added goods and services. This will require some degree of state intervention to support domestic firms during the transition to higher levels of competitiveness. There are various mechanisms (including subsidies and technological support) for this, which need to be carefully considered, based on contextual nuances.

Supportive Sectoral and Local Level Initiatives

Macroeconomic policies alone cannot deal with myriad problems that have built up over the years. The shift from a macroeconomic framework that was focused on growth and price stability to one that clearly elevates employment to the centre stage of the policy arena needs to be supplemented by specific sector and programmatic interventions.

Industrial policy

'Industrial policy' is needed to ensure that countries move beyond their static comparative advantages through time-bound support and direction, to activities that can contribute to transforming the economy and creating dynamic development pathways for job creation. Industrial policies include a wide variety of elements that are traditionally divided into six subsets: 1) trade policies; 2) investment policies; 3) science and technology policies; 4) policies aimed at promoting micro-, small- and medium-size enterprises; 5) human-resource training and upgrading policies; and 6) regional development policies.

An active industrial policy will provide carefully targeted public support to enable the private sector to deal with imperfections that exist in the market mechanism. It will help build up research, development and marketing capacities that firms need to effectively compete by engaging in high value-added activities and/or by excelling in niche areas. Growth not only entails a broad structural transformation of the economy from agriculture to manufacturing and services, but it also involves the development of niche areas of excellence in manufacturing and/or services over time. Governments in high growth countries were not market purists; they had deliberate industrial policies and intervened in the market using different policy instruments at different time periods.

In the current, more open and fiercely competitive global trading environment, selective industrial policy instruments need to be identified. Instead of being designed to circumvent market outcomes, they would need to foster innovation in value-added services and niche investments in the relevant countries. The state would also have to redress market failures through the provision of public goods, performance-based long-term development financing and government intervention to stimulate the supply of goods and competencies with positive externalities.[82] In this connection, it is worth noting that the world's leading regional-jet manufacturer, Embrear, flourished via such careful government intervention, including a combination of government procurement, tariff protection and subsidies.[83] (See Box 10).

Box 10 Brazilian aircraft: active state support in a post-WTO World

Programme description

The Government of Brazil launched it PROEX scheme to overcome the financing handicap faced by the Brazilian aircraft manufacturer, Embraer, in competing for international contracts (put in the date the program started). Under the scheme, the lending bank charges its normal interest rate for the transaction, and receives payment from two sources: the purchaser, and the Government of Brazil. Of the total interest rate payments, the Government of Brazil pays 3.8 percentage points, and the purchaser pays the rest. In this way, the total effective cost of purchasing an Embraer aircraft is reduced.

Canada took Brazil to WTO over the case and the two countries were engaged in a lengthy litigation process. All through the process, however, Brazil continued to subsidize the exports of Embraer aircraft. It no doubt experienced tremendous pressure throughout the dispute and was required to change its PROEX program. But it did so gradually, carefully testing the limits of the restriction in repeated appearances before a tribunal and moving its measure to a threshold point where it could be considered permissible.

Programme results

As a result Embraer managed to break into the lucrative and high technology aircraft market, winning contracts for the sale of some 350 aircraft (for a total of some US$ 7 billion) to companies in Europe and the US.

this case also shows that when a country has a program that it considers valuable, it can defend it and it can also make sure not to over conform to the apparent restriction. As it emerges from the evidence of the case, Brazil, a founding member of the WTO, not only did not cut its export subsidy program. It doubled it. And then it made sure to make its case for why it should be permissible, modifying it little by little until it passed muster. Brazil has combined a strategy to promote market access for its exports with domestic measures to promote economic sectors it considers valuable

In brief, this experience shows that in a post-WTO world, states can take an active role in the promotion of their domestic industries and their economic future.

Source:Santos, 2006. http://www.cebrap.org.br/v1/upload/pdf/LANDS_Alvaro_Santos.pdf

The Latin American experience

The East Asian industrialization and the later Latin American rediscovery of industrial policy in the 1990s were driven by the understanding that: 1) in the modern world, competitive advantages are, to a large extent, created. In other words, they emerge from factors that are themselves the result of the development process, hence, can be shaped by economic agents (both private and public) and not simply from the availability of natural resources or unskilled labour; 2) the effort to create a more competitive economy must be approached in an integrated manner because competitiveness is not merely the product of the enterprises' individual actions, but also the result of the sector and global settings which provide a framework for those actions; and 3) the efforts to promote competition and overcome the constraints to free-factor mobility must be complemented with active sector policies aimed at surmounting the obstacles to higher productivity levels. Sector policies and actions would enable the different productive sectors to integrate more effectively into the new development model with strategic plans directed at removing institutional or regulatory restraints, redefining the scope of credit and export-promotion policies, designing strategies of industrial reconversion, inducing processes of technological transfer and innovation and generating a greater integration of production chains to increase productivity. Success of such a vision is contingent upon combined public and private actions on the basis of dialogue and negotiation.

The success of this new wave of industrial policy in Latin America & the Caribbean is instructive in that, despite political economy risks of the elite capturing incentives, the subsidies provided by open economy industrial policies were often gradually reduced. Countries such as Brazil promoted development banks to ensure that private businesses were able to access the required long-term credit to engage in productive activities. In Chile, public investments fostering R&D and infrastructure were critical for the development of its dynamic fruit and salmon clusters. Active industrial policy promoted ten years into the Pinochet regime also contributed to reversing the process of de-industrialization set in motion by free market policies followed by the regime in its initial years. These policies helped to double Chile's non-traditional exports between 1990 and 1995.

The Arab region can also learn from the Latin American experience with import substitution industrialization (ISI), which was more nuanced and more consistently followed than the similar Arab experience. Gabriel Palma's (2003) analysis for LAC is thus a propos for this region: "as ISI became more mature, it inevitably required continuous re-adjustments and change. The crucial problem was that Latin America's capitalist and political elites, rather than making the required effort, opted for relatively minor modifications to prolong ISI for as long as possible. Eventually, a combination of domestic and international factors made the change to a different development path practically inescapable." [84] Thus, as Palma argues, there is need for constant recalibration of industrial policies to ensure that incentives for productive investments and increased efficiency are not transformed into rents. Reversing the region's policy and initiating a new forward-looking focus on diversification of productive capacities will involve not only a focus on innovative policy and financing modalities, but also a proactive focus on economic governance and identification of more nuanced niche areas within sectors and services, as opposed to broad sector level foci per se.

What can LDCs focus on?

The Arab LDCs, with the majority of their populations living off the land and a very small manufacturing base, have to start from the basics. The majority of their populations depend on agriculture and have a relatively low level of income. At present, they import farm implements which may not be adequate to their particular conditions. Farmers suffer huge post-harvest losses due to the inadequacy of food processing facilities. Their consumer goods needs are met through cheap imports from Asia. An indigenous industry can address their problems with agricultural activities (farming implements), post-harvest handling of produce (food processing) and simple consumer goods to meet basic consumption needs.

The limited road and rail infrastructure in LDCs tend to fragment the limited local market further, thus not allowing local producers to achieve economies of scale. Therefore, as a first step in an integrated approach to industrial development, the state has to enter into partnership with local communities, regional/provincial authorities and the private sector in order to improve internal communications, develop infrastructure and services and stimulate demand. As indicated by the UNCTAD LDC Report (2006), "The sustained development of productive capacities occurs when there is a virtuous process of cumulative causation in which the development of productive capacities and the growth of demand reinforce each other."[85] In this context, the social and economic policies that are being proposed for the inclusive structural transformation of the region's economy will have mutually reinforcing effects: a focus on poverty reduction and social protection within the framework of inclusive growth can, in fact, contribute to a "feedback mechanism supporting the momentum of growth as productive employment opportunities expand".

In terms of supply-side policies to facilitate the required supportive services in an efficient manner, LDCs can benefit from the establishment of well-functioning industrial zones in partnership with the private sector and sub-national authorities. There have been many unsuccessful attempts to establish such zones in many countries, but they failed because of a non-supportive operating environment including limited private sector involvement. In countries where such industrial parks already exist in an embryonic form, they can be made functional with limited additional funding and an appropriate set of incentive structures.

As part of the complementary sectoral policies, local production of appropriate agricultural tools can be promoted. The standard tools available are not easily useable by an increasingly female agricultural labour force. Thus, it is critical that local production of agricultural implements be initiated with state support in order to provide the required tools to women farmers.

Furthermore, LDCs can take advantage of provisions of WTO agreements that exempt them from limits imposed on direct support to industry. In cases where they are still engaged in negotiations to join WTO, they can insist on lengthier interim arrangements to allow their infant industries some room to grow. There is clearly more policy room to manoeuvre than one normally counts on. There is no need to be apologetic about subsidizing agriculture, as agricultural subsidies are a mainstay of economic policies in most countries and are even allowed by WTO rules. Unfortunately, the current levels of tariffs and increasing restrictions of policy space impede the ability of the Arab region to develop a dynamic comparative advantage in the global market in significant ways. [86] Regional integration offers LDCs, who stand little chance at penetrating the global market alone, an opportunity to successfully integrate into the global hierarchy of production.[87]

What about middle income countries?

Middle income countries already have some industrial infrastructure. In addition, their economies are better served by transport and communications networks. Due to higher per capita income levels, the industrial base is also likely to be partially dependent on servicing the local market. Given low levels of productivity and relatively high labour costs, however, these countries are increasingly incapable of competing against imports from more efficient Asian producers. High levels of income inequality also mean that the local market is segmented into a mass market for cheap, undifferentiated goods where cost is the most important consideration and a luxury goods market where international brands have a foothold.

A more egalitarian income distribution to be promoted through a more socially responsible fiscal policy, discussed elsewhere in the report, can help create the required local market base for industrial renaissance. The long term solution for the manufacturing sector, though, rests in moving up the value chain to produce differentiated goods with a high technological content. To facilitate this move, Arab MICs would have to actively support research and development activities, as well as packaging and advertising support services. The quality of university, technical and vocational training would also have to improve in order to produce the highly qualified labour needed in such industries. All the same, such activities are unlikely to generate a huge number of jobs. Hence, support has to be provided concurrently to the large number of informal units engaged in various manufacturing activities to enable them to increase their productivity.

A knowledge-based economy is going to have a major focus on providing advisory and sophisticated services. This will be discussed later, in the role of services.

Agricultural development policies

Agriculture continues to be a major source of employment, even in MICs and has huge potential for contributing to reduce poverty, which is more pronounced in rural areas.

The first Development Challenges Report had already recommended to address the underlying causes of food insecurity by increasing agricultural production based on a four-pronged approach. The suggested strategy would: a) secure access to productive land and credit, b) target price support benefits, c) include more effective participation of women in on-and-off farm activities and d) manage water resources efficiently.

It is also strategically important to expand non-farm, labour-intensive activities within rural areas to ensure economic diversification. The magnitude and types of taxation regimes employed by the state can have powerful impacts on the systems of production and distribution in an economy;[88] for example, progressive land taxes can induce landowners of vast estates to sell part of their land, thus reducing the concentration of land in the hands of the wealthy. On the other hand, fiscal incentives can militate against excessive parcelization of small holdings due to inheritance, which risks making small scale agriculture non-competitive. Change in statutory laws to strengthen women's entitlements and claims are similarly important to foster a more equitable society. Improved research and data collection can also be crucial, given that it will allow the government to develop better informed policies and farmers to make better informed decisions. Encouraging agro-industries can increase productivity of labour in rural areas and improve economic efficiency.

The region has substantial scope to encourage the financial sector to expand its lending operations to rural areas. Inspiration can be drawn from countries such as India where agriculture and small scale industries have benefited from the stipulation that all banks lend at least 40% of their net credit to the 'priority sector'.

It would also be prudent to establish an Arab Food Security Fund to provide immediate food relief for those in dire need. To improve food security, the region needs to invest heavily to improve water availability, conservation, yield and distribution for all uses. Specifically, there is need to invest in greater desalination capacity, drip and other types of efficient irrigation systems and reforms in water governance to promote equitable access to water resources. More indigenous R & D through greater public and private investment in agricultural R & D is critical for overcoming the technical limitations to increased production in arid and semi-arid zones typical of the region.

Arab countries have to create the required margin to address the food security challenge. Enacting macroeconomic policies that would increase the fiscal space available for financing investment in agriculture and rural development would be a good first step. Adopting appropriate medium- to long-term environmental, agricultural and rural development policy objectives is also crucial, so as not to exacerbate an already acute water shortage problem and avoid further damage to a fragile environment. Any policy would also have to take into account the likely impact of climate change for its sustainability.

While increasing income and purchasing power of the poor remains the best way to combat food insecurity, improved social safety nets and increased climate change compliant agricultural productivity can enhance food security.[89] Improved education can reduce over-dependence on wheat and cereal for caloric intake, thus reducing dependence on imports and improving nutrition and health.

A second major means of enhancing food security is the expansion of public and private investments in agricultural productivity and adaptation to climate change. While expansion of farmland is unlikely owing to scarcity of land and water resources, there is considerable scope for increasing crop yields. Investments in drought resistant crops and improved water conservation can help farmers adapt to shifting climates, while investments in energy efficiency and renewable energy applications, reuse of agricultural waste, methane capture through biogas systems, enhancing soil carbon and expanding agro-forestry can provide a new source of finance, as the post-2012 climate regime increases focus on access of the poor to carbon markets and a further alignment of carbon credits with the MDGs. A green economy approach supports a shift to ecologically sound methods to increase yields and address social equity. It can engage small and marginal farms; farms with greater acreage will benefit in part from higher prices for their produce, while investments into small farm productivity can have impact on reducing poverty and increasing food security. Broader measures include crop diversification, production of high-value organic produce for urban markets, reduction of persistent organic pollutants (POPs) from fertilizer and pesticides and replenishment of soil nutrients, which are being bleached at historic rates.[90]

Water is a key element for enhanced food security. There is need for major investments to make water use in irrigation efficient because it already accounts for the highest percent of water use in most Arab countries.[91] This is especially true given that groundwater reserves are in serious decline in many countries and competition for water is increasing in urban and industrial centres. Substantial water savings can be achieved by investing in water recovery and reuse, along with possibilities for investments into industrial wastewater treatment and reuse and low-carbon means of seawater desalination.

Agro-ecology has also been highlighted as a mode of food production that can support improved productivity in an environmentally-friendly manner. Agro-ecology "seeks ways to enhance agricultural systems by mimicking natural processes"[92] as a way to improve the resilience and sustainability of food systems.[93] Resource-conserving, non-polluting approaches to food production are seen more and more as a means of de-coupling crop yields from expensive energy, water and fertilizer inputs and of increasing yields without jeopardizing long-term quality and viability of progressively scarce soil and water resources.

Agriculture as the linchpin of development in LDCs

In the case of LDCs, a major focus of government action and support has to be on improving labour and land productivity in agriculture. Even the industrial policy suggested for these countries would focus on supporting the primary sector.

Agriculture typically receives minimal allocations in public budgets and as a result, research into more appropriate varieties and farming techniques is not taking place. Moreover, even the limited knowledge of innovations is not conveyed to farmers because of outdated and underfunded extension services. Clearly, a more equitable distribution of public resources would call for increased allocations to agriculture in the national budget and institutional reform in existing farmer support services.

Without improvements in supportive institutional frameworks, small farmers cannot be provided with expanded micro-finance services, joint marketing mechanisms to increase the price actually received for their produce and affordable inputs. Organizations representing farmers would ideally have a greater say in discussions of national policy choices.

Box 11 Effective production subsidies: Farm Input Subsidy Program (FISP) in Malawi

The FISP has been implemented since 2005 in all districts by the Ministry of Agriculture and Food Security and is mainly funded from the national budget. It aims to improve national and household-level food security by increasing the use of inorganic fertilizers among resource-poor households by targeting poor and vulnerable smallholder farmers, through a system of vouchers or coupons for seeds and fertilizers for maize and tobacco. Support to tobacco was discontinued during the 2009-2010 season.

The main emphasis of the programme has been on maize, under which each beneficiary household receives two fertilizer coupons for one 50kg bag of basal and one 50kg bag of urea, as well as a maize seed coupon. Around 1.6 million farming households have been targeted in recent years. Priority has been given to vulnerable groups, which include households that are headed by either a child or a woman, although targeting has been inefficient at times.

Some of the major positive impacts of the programme have been:

- The achievement of self-sufficiency in national maize production, with a 26% to 60% increase in production following the implementation of the input subsidy programme.
- Greater village maize availability and prevention of food shortages, despite the high prices following the 2007/8 agricultural season.
- A decrease in the proportion of households reporting a major shock from high food prices from 79% to 20% between 2004 and 2007.
- Substantial protection from the impact of highly volatile maize prices through fixed prices.
- Significant increases in nominal wage rates from 2005/6, greater than the later maize price rises.
- Increases in real incomes of up to 100% among poor beneficiary households, compared to increases of up to 20% for poor non-beneficiary households.
- Considerable fall in poverty incidence estimates from 52% in 2004/5 to 40% in 2007/8 and 2008/9 (NSO 2010)

The FISP programme has contributed substantially to the achievement of food security in Malawi. The FISP experience has demonstrated that political, technical and budgetary commitment to implementing large-scale and fundamentally appropriate programmes can substantially improve the welfare of poor and vulnerable households and can contribute to longer-term processes of broad-based, inclusive development and economic growth.

The costs of sustaining the input subsidy, however, substantially exceeded the budgeted expenditures. The cost of the programme rose from 2.1% of GDP or 6% of the national budget in 2005/6, to 6.6% and 16%, respectively, in 2008/9.

Source: Chirwa and Dorward, 2011.

Food subsidies that typically enlarge food imports can be recast so that they promote better nutritional balance and provide an outlet for local producers by moving away from imported staples to baskets of locally produced food. Subsidies that lead to increased food production have been found to be most effective in dealing with the dual problems of rural poverty and food insecurity (see Box 11). An improved rural infrastructure would further assist the growth of the sector by reducing transport costs and losses suffered in the process.

Can MICs continue to ignore agriculture?

For MICs, agricultural policies would have a supportive role to industrial policies, as well as serve as a major tool in a more targeted response to pockets of high poverty in rural areas. Syria's experience in the period since independence shows the benefits of paying due attention to agriculture, in order to achieve food security and reduce rural poverty (See box 12).[94]

The key concern is to maximize productivity of land and labour by moving to higher value crops, whether for local consumption or exports. This may even mean further reducing the production of food staples. Food variety is particularly important for achieving a balanced diet in these countries and to that end, increased local production of dairy products, fruits and vegetables would be important. Such countries also have the required infrastructure for promoting production of high value organic produce for the international market. This option might also prove to be attractive to the more advanced regions of LDCs.

Promotion of non-farm rural activities is particularly important in MICs as part of a larger land use management strategy. These countries are already suffering from excessive rates of urbanization and concentration of all services and amenities in cities. It is thus critical that a broader rural development strategy be developed to slow down the rate of urbanization in big cities and make it practical for educated people to stay and work in more rural settings with the development of secondary towns and cities. Improved telecommunications and road transport can allow semi-rural and peri-urban populations to engage in home-based service activities thanks to the spread of information technology. Provision of information technology services itself can play a major role in non-conventional, relatively higher-value activities.

Box 12 **Lessons learned from Syria's post-1958 rural development experience**

Several lessons can be learned from Syria post-1958 agricultural development experience, particularly the period from 1960-1980 to guide us in outlining future suggestions for Arab countries (including Syria itself). As noted by Ghonemy (2005), this "golden age" of Syrian agriculture was triggered by:

(1) redistributing land-property rights in favour of the landless and poor tenants, protecting leaseholders and setting minimum wage rates;

(2) the upsurge in public investment in three giant projects for labour-intensive irrigation and land development of nearly 740,000 ha. (Sud al-Forat, Al-Roston Dam and Asharna-Al-Ghab project;

(3) pro-farmers pricing system which included production inputs' subsidies, combined with a substantial investment in human capital.

The rural economy's successful performance in the 1960s and 1970s was thus manifested in the triangle of (a) redistribution and secure land tenure rights; (b) considerable public investment; and (c) equity-driven pricing. The result on human development was remarkable. Notable achievements in well-being were realized between 1960 and 1980; longevity increased by 28%, child mortality rates and adult illiteracy decreased by 76% and 40%, respectively. Indeed, this is another reason why extreme poverty in Syria is still only half that which prevails in Egypt, despite the similarity of income per capita in both countries.

In recent years however Syria's agricultural model has witnessed major setbacks as a result of successive droughts since 1999 and the impact of rising oil revenues on reducing the urgency of local food production.

Source: Ghonemy 2005.

Competitive service activities and effective social protection

The service sector has been much-maligned in the region due to its concentration in low value-added activities of a non-traded nature. However, the service sector, even when it is essentially of a non-traded nature, can have a major role in supporting industrial and agricultural transformation strategies.

Services and LDCs

In LDCs, providing reasonable access to financial services to rural populations can be most revolutionary. There are many successful examples that can serve as lessons, such as provision of banking services by retail traders or expanding access to post offices. Provision of such services allowing for direct deposit of benefits to beneficiary accounts maintained in rural banking outlets can reduce the transaction costs of social protection measures and avoid the risks of elite capture. It can also allow for speedier settlement of state payments in cases of public procurement of agricultural products. Such systems are known to have increased savings as well. Given the low rates of savings in the Arab region, this side benefit is of significant value.

LDCs can benefit from the multi-faceted role of services in their linkages, forward and backward, with other sectors in the economy. For example, many LDCs have huge untapped tourism potential that can be harnessed to provide maximum benefit to rural populations through the promotion of ecotourism. The growth of tourism can then serve to increase market opportunities for artisanal production.

Can services support transformation in MICs?

Middle income countries can benefit even more from expanding competitive service activities by encouraging further growth of medical, financial and consulting services, specialized higher education, cultural products and tourism. Some Arab countries are already engaged in a subset of such activities and can show the way to others in terms of what works and what to avoid.

Medical tourism provides an excellent source of jobs for surplus doctors, nurses and technicians in country after country. It also provides a platform on which other services can be offered, for instance, financial services targeting foreign retirees who may spend long periods in a country due to affordable long term medical care services. Medical tourism can also provide the required revenue base on which medical research can be expanded, allowing the concerned countries to move into cutting-edge medical research.

The growth of a modern agricultural and industrial sector depends on available, supportive consulting and financial services, as well as marketing. Hence, the simultaneous development of both can maximize synergies and provide a critical minimum market base for the concerned service sectors to operate until they succeed in breaking into global markets.

Social protection and the quest for decent jobs

As argued earlier, the evolution of the job market in the Arab region has been accompanied by a decline in the quality of jobs on offer. Increased numbers of jobs do not provide any social protection and are often undertaken in dangerous or denigrating conditions. The global response to this has been to push for decent jobs and to prepare a social protection floor initiative with substantive support from the UN system.

Many businesses complain about the added cost of social protection measures and might opt for more capital-intensive methods of production if they see their labour costs rise. At the same time, the Arab street’s cry for dignity is inconsistent with degrading work conditions. Social protection that is publicly provided or subsidized is one option and the promotion of higher-value activities that can support the payment of decent wages is another.

Win-win situations can be created through public and private partnerships that spread the financial burden of social upgrading and skill development. The state can help ensure better technical qualifications for workers, with a view to increasing their productivity. Private industry will have greater incentives to recruit these more productive workers and to cover the cost of their participation in national social protection plans. Tunisia has been experimenting with various schemes to encourage firms to take on new workers by covering at least part of the cost of new recruits for an initial period. One of the most important programmes of this kind is the SIVP (Stage d’Initiation à la Vie Professionnelle) programme which has been in operation since 1987. Despite its shortcomings, the programme has managed to get over one third of the covered workers into regular employment. Post-revolutionary governments can learn from such programmes and adapt them to their particular circumstances given the rising numbers of young people who have not managed to find a job following several years of job search.

Improved quality and relevance of public education

The first Development Challenges Report detailed the failures of the educational system in the Arab region and asked for a radical overhaul of the system. Though the current report did not cover this particular issue as a theme, individual country cases highlight the negative influence obsolete educational systems have had in keeping income and human poverty high in the region.

There are many important areas that require attention, particularly pre-school education, which is not yet generalized by the public sector even in some of the higher middle income countries, let alone the LDCs. For the MICs the challenge is more with adjusting postsecondary education to provide the needed balance between specialists and technicians.

The MICs also have to pay attention to improving the quality and relevance of research undertaken by universities and specialized institutions in order to become serious producers of quality knowledge. This would underpin their move to knowledge-based economies and provide jobs for the more educated.

Maintaining social infrastructure as expenditures to improve productive assets

The quality and relevance of public health and education services are critical for improving the key resource available to Arab economies: their young people. Expenditures incurred in providing these services clearly complement developmental expenditures and might require special treatment when reviewing current expenditures.

Providing quality social services is a necessary condition for meaningful poverty reduction. The freedom from debilitating health conditions as well as equal access to adequate and quality education is vital for breaking the cycle of poverty of the poor who only have their labour power to offer.

An improvement in delivery of social services can also directly assist with creating employment through longer-term jobs for the more educated by raising teacher/pupil ratios in public education and medical professional/patient ratios in public health care facilities.

Improved social services can be sustained by promoting popular participation in the management and funding of public education and health services. Stronger links between educational establishments and the private sector will ensure more job relevance and a better educational experience.

Public health services can take into account cost effectiveness in terms of number of potential lives saved as a result of different interventions. Such an approach would mean priority funding for immunization and primary health care in poorer countries and referral services in richer countries. There are examples of adapting the delivery options to local conditions, which allow for increased employment without necessarily incurring increased costs. LDCs can explore use of community health workers as the primary contact point for the general population, while MICs can explore options for sub-contracting the delivery of health services to the private sector through public health insurance plans that pay for services rendered by private sector providers.

Greening the economy and creating jobs in the bargain

The growth process of the Arab region, within a highly energy-intensive development model, has led to some of the highest per capita carbon emission levels in the developing world. It has been estimated that the region has experienced an 88% CO2 emission growth between 1990 and 2004, three times higher than the world average, despite hosting only 5% of the world's total emissions of greenhouse gases. As oil reserves decline, countries across the region are intensifying efforts to diversify their economies beyond oil exports, through rapid urban-industrial expansion meant to create new growth and jobs for a burgeoning youth population. There is clearly an urgent need to change the development path by opting for a green economy.

The Arab region can reorient its expertise in the energy sector and take advantage of its substantial solar radiation and wind resources to develop into a leader of clean energy technology and finance. The Arab region has huge potential for integrating energy efficiency into new buildings that are multiplying at a fast rate, thanks to a sustained period of high growth since 1999. Many countries and private sector leaders are now engaged in compliance with international green building standards, such as the Leadership in Environment, Energy and Design (LEED) standard. Pivotal are the new green construction efforts to reduce the carbon footprint of buildings, save energy costs and help achieve national goals of conserving energy resources. Particular progress in green construction has been marked in Egypt, Mauritania, Morocco and UAE, while Saudi Arabia is also increasingly engaged in the process.

Furthermore, Arab countries can save oil resources for export through transition towards a high-tech knowledge economy, thus creating new jobs for youth by developing their huge potential of solar and wind power. Starting from a situation where merely 7% of energy needs are met from renewable energies, the potential for growth in this area is considerable. Appropriate policies and regulatory frameworks can integrate clean energy technology and competitiveness approaches across sectors. Multi-stakeholder processes are needed to facilitate public and private partnerships for finance and technology development and transfer.

The largest example of solar technology use is in Morocco where 160,000 solar home systems have been installed, covering 8% of rural households with 16 megawatt (MW) capacity. Stand-alone smaller-scale applications are also becoming prevalent across the region, such as water pumping, telecommunications and remote lighting. Other examples are found in Algeria, where a National Action Plan has been released to increase clean energy contribution to 5% of local energy demand by 2017 and aiming for 20% by 2030; in Tunisia, where the National Energy Programme seeks to achieve 40% of energy from renewable resources by 2030; in Morocco, with its goal of 20% renewable energy share by 2012; in Jordan, with a target of 10% renewable share by 2020; and in Egypt, where great attention has been placed in recent years on solar and wind power with a goal of 20% renewable energy by 2020.

Renewable energy opportunities are also on the rise in the GCC member countries. The United Arab Emirates plan to establish Masdar City as a model of the future for low-carbon emission, while the country has made progress in developing CDM initiatives for mobilizing foreign investments into new, clean energy, including a new large-scale solar power facility.

A pan-Arab solar network stretching across the deserts can capitalize on the region's world-leading levels of solar radiation. A private initiative led by EU investors, the Desertec project, would generate 550 giga watts (GW) of electricity up to 2050 and would service demand within Arab region and export markets in the EU by 2025. [95] Initial solar capacity would be hosted across North Africa, from Morocco to Egypt, with possible expansion to the GCC and would be catalyzed by a proposed contribution of $5 billion from the new Clean Technology Fund managed by the African Development Bank (AfDB), whose clean energy investment strategy focuses on energy security, energy access for the poor and carbon emission reduction.

Regional Integration

The strategy of transformative economic change in the region can be strongly facilitated by active regional integration. Not only will regional cooperation bridge the funding gap for required investments in MICs and LDCs, it will also allow all producers in the region to take advantage of huge economies of scale.

The experience of Europe and East Asia & Pacific demonstrates that regional integration matters fundamentally for competitiveness, growth and income convergence in an increasingly competitive global arena. Intra-Arab economic integration can substantially raise regional trade and create a large market that allows efficient specialization and economies of scale in industrial activities that would otherwise be constrained.

The Arab region can learn much from the experience of the ASEAN regional integration initiative in Asia, which has managed to attract additional Foreign Direct Investment (FDI) into regional production chains, as well as coordinate much needed technical and financial assistance across the region. As a result of regional collaboration the ASEAN group have become major actors in global trade. The Arab region can similarly effectively participate in the global economy if governments tap the growth potential that enhanced regional integration can generate. Thus, regional markets would complement national markets, allowing firms to benefit from economies of scale necessary to achieve globally competitive cost structures that allow them to expand production and consequently increase job opportunities.

Furthermore, integration can promote regional food security and bring about shared prosperity, peace and security through joint action. Such collaboration, by enabling and fostering a strong and proactive common position, would provide the region more leverage in international commitments negotiations to secure more favourable and equitable development outcomes. This would allow Arab countries, especially those less privileged and less wealthy, a better chance to renegotiate the terms of their integration into the global economy so as to open up their economies gradually, in line with the development of their productive forces and competitiveness. Moreover, free movement of labour and capital within an Arab economic union would allow the combination of the financial wealth of major oil-rich countries with the land and human capital of poorer countries to mutual benefit.

Thus far, the region has only made timid attempts at regional economic integration, unlike other regions of similar income per capita levels, like Latin America & Caribbean and East Asia & Pacific. The success of such regional groupings as the ASEAN in Asia and MERCOSUR in Latin America & Caribbean illustrate the opportunity the region has lost by not insisting more forcefully on regional integration.

Box 13 Financing for development in the context of the "Arab Spring": opportunities and challenges

The outcome document of the International Conference on Financing for Development that took place in Monterrey, Mexico during 18-22 March 2002, known as the "Monterrey Consensus", was based on a global deal, described by some as a "Grand Bargain". The "Grand Bargain" embodied in the Monterrey Consensus reflected a new spirit of partnership, where developing countries would exert maximum effort domestically to put their houses in order through good governance and sound economic policies, while developed countries would exert maximum effort to create an international environment supportive of the development efforts of developing countries. The record since 2002 suggests that developing countries have been much more forthcoming in fulfilling their part of the bargain than developed countries.

The Arab Spring poses new challenges to the Arab region at this critical historical juncture, with the initial and turbulent systemic transition period. However, it also opens wide opportunities to implement the Monterrey Consensus in the medium and long run that could take it to a new level of hope for countries of the region at all levels; national, regional and global. The promise of a new social contract and a "Developmental state" model opens the door for a new vibrant and responsible and competitive business community that contributes to the mobilization of domestic resources in a more equitable environment. The promise of Arab economic integration takes regional prospects and ambitions to a higher level as the new development model is geared towards more accountability to the people and for the people of the region. This could lead to a large and deep regional market of 350 million consumers that would deepen investment and trade ties, leading to prosperity and capital accumulation to solve debt problems and decrease reliance on outside assistance. All these positive potential outcomes would lead to enhanced status of the region vis-a-vis the global economy, increasing the bargaining power of the region with the rest of the world and opening the doors for a much wider mix of policy alternatives within a much wider and expanded policy space. This latter outcome is at the heart of solving the central problem relating to systemic issues, having to do with the struggle to enhance the voice and representation of developing countries in global economic decision making.

Source: UNDESA (Department of Economic and Social Affairs) FFDO (Financing for Development Office)

How can regional cooperation be expedited?

A recent report by the World Bank [96] suggests a practical approach to promoting greater Arab economic integration in the context of the Pan-Arab Free Trade Area. This consists of (1) completing the free movement of goods within the Pan-Arab Free Trade Area, notably by eliminating unnecessary non-tariff barriers; (2) implementing a regional initiative to liberalize the service trade, including identifying a number of pilot service sectors for early regional liberalization; and (3) strengthening the rules and discipline applicable to regional trade and other policies of common interest.

It is unfortunate that the Sharm el-Sheikh Arab Socio-Economic Summit only paid lip service to Arab economic integration and did not agree on any concrete measures for moving ahead with the implementation of the 2009 Kuwait Summit Declaration on economic integration. The leaders merely agreed to strive to establish an Arab common market by 2020 without a detailed timeline and procedure for follow up. As also argued by the World Bank, Arab governments can accelerate the free flow of trade in services within the region by developing a regional strategy for trade in services integration, establishing forums to address knowledge gaps and facilitate the political economy of reform, conducting regional Regulatory Services Audits and negotiating a pan-Arab agreement in services.

To pave the way for the liberalization of trade in services, a number of pilot service sectors could be identified for early regional liberalization. Key candidate sectors include (1) trade facilitation & transport, given the importance of facilitating trade in key corridors and improving trade facilitation and logistics services inside the Arab region, including customs and border agencies; (2) banking & finance, to immediately promote banking sector competition, encourage further access to credit and intra-Arab investment and facilitate capital movement among Arab countries; and (3) information & communication, in order to enhance the competitive potential of the sector. There is also considerable potential for increasing intra-Arab tourism by simply revising visa requirements. Syria, since 1955 does not demand visas from nationals of any other Arab country and there is visa-free travel within the Maghreb Union of Libya, Tunisia, Algeria and Morocco and within the GCC.

Five areas in which Arab integration may be useful in the years to come are:

1. Surging LAS capacity in electoral cycle support: The Arab League may want to establish a core group of experts on technical electoral assistance to work with national electoral commissions on various aspects of election support, including a core group of Arab monitoring experts on elections to work with civil society actors;
2. A LAS–led institutional building initiative: Learning from the IGAD initiative to mobilize civil servants from African countries to help build the civil service and public administration in South Sudan, the LAS can consider an Arab Initiative for Institution Building. This would be highly relevant in Libya and later in other countries. There are sustained long term benefits to having Egyptian and Tunisian or Jordanian and Lebanese experts in law, constitution making, public administration work with nationals and internationals in Libya in a concerted and scalable manner. This requires an initiative with long term agreements for secondments and return of expatriate nationals;
3. LAS decision support database, including governance, socioeconomic and environmental indicators: Proceed to put into practice the already agreed holistic capacity to combine socio economic, crisis, environment and governance assessment capacity for future trend and scenario building inside the LAS;
4. Operationalizing the Arab Human Rights and Anti-Corruption Charters: These Arab Charters need to be operationalized. Learning from the African experience with peer review mechanisms, the LAS can consider different strategies for the operationalization of a review mechanism based on the Arab Human Rights Charter; and
5. Arab Fund for LDCs: Along the lines of the EU regional structural funds, the Arab League may want to devise a fund in support of less developed regions of the Arab world that works to improve physical infrastructure, job creation and targeted social services. It is important in this context to set up mechanisms to follow up on implementation of existing Arab Development Summit commitments on establishing various funds.

Good neighborhood effect

The Arab region needs a good neighbourhood effect like the European Copenhagen principles for accession and the African Peer Review Mechanism. In 2008, at a meeting in Riyadh, the League of Arab States called for joint cooperation to address high poverty and unemployment rates, among other common challenges, through Resolution 3653. Following that resolution, LAS convened the first Arab Economic and Social Development Summit in Kuwait in January 2009. The concluding declaration of the Summit, entitled "Elevating the Standard of Living for Arab Citizens," gave priority to private sector and civil society participation in social and economic growth, among other objectives. Stressing that the Arab world is still facing local and international challenges that affect its security, sovereignty and social development, this first Arab Development Summit reaffirmed the commitment of the region to achieve the MDGs and agreed to activate policies and programmes to, among other things, reduce poverty and unemployment, improve social equality, empower youth and women, raise women's participation in economic, political and social life and invigorate the role of civil society.[97]

In the past two decades, the Arab region has witnessed a number of declarations for democracy and human rights (Sanaa, Alexandria and Tunisia in 2004). If acted upon, these could give a good push to a new social contract in the region. The Arab League needs to follow up on the Arab Human Rights Charter of May 2004, ratified by 10 Arab countries so far. Though it falls short of aspirations, it is important to note that this is the first attempt at setting regional standards for governance.

Another attempt at joint action is the Arab Anti-Corruption Charter, recently passed but not yet ratified. The Arab region may benefit from specific charters or conventions that set standards for access to information, as advocated by the Arab Freedom of Information Network, [98] for free, fair and credible elections and for rights-based private sector led investments. Within the region, discussions over the design of an Arab League Action Plan on Climate Change have prioritized the elaboration of national climate policies as a means of ensuring coherence among country approaches.

Affirming commitments and setting standards are good starting points, but are not enough. It is necessary to monitor efforts to meet those commitments and standards. The African continent has pioneered a process of peer review, called African Peer Review Mechanism (APRM) that has developed a systematized framework for assessing economic, social and political reform and has encouraged a civil society partnership with governments for conducting the assessments. Though few reports in the countries that have completed the APRM process have been circulating openly and few action plans are being rigorously implemented, the Arab region may benefit from the APRM experience by encouraging a regional assessment of governance reform efforts in partnership with civil society.[99]

What Can Be Done Now?

The "Arab Spring" that led to political transformation in Tunisia, Egypt, Libya and Yemen now has to move beyond what it is against and define what it is for. The social justice agenda that has been dormant for so long under dictatorial regimes cannot be held back for long. At the same time, there is a danger of populist politics taking hold if there is not sufficient attention to having an informed debate about trade-offs in social and economic policies. In addition, design of short-term interventions has to take into account existing institutional weaknesses and political realities. This section contains proposals that aim to address such short-term concerns alongside some longer term ones.

Building constituencies for immediate action

The global experience of democratic transitions in placing the social justice agenda on the back burner in the initial period, in the interest of maintaining the largest possible support constituency, does not bode well for a frontal attack on social justice issues. However, given the demands expressed by the Arab street in the contestation movement, social demands cannot be ignored for long without putting the revolutions in danger. In addition, in both Tunisia and Egypt the democratic transition has been accompanied by a slowing of economic growth to a crawl due to the negative impact of insecurity and uncertainty on private investment and tourist flows. At the same time, the spike in food and energy prices increases the cost of maintaining food and fuel prices at pre-revolution levels. The weakened ability of the state to collect revenues, now that it is no longer feared, risks undermining the ability of the government to raise revenues. Hence, the state is being asked to do more precisely at the moment it is least able to do so.

The current Arab Spring may produce immediate measures for political transformation. This political agenda would result in procedural improvements to ensure free and fair elections and reduce monopoly of power through regular rotation of political parties or incumbent presidents.

We are already witnessing in Tunisia and Egypt a move towards writing new constitutions and fixing laws that affect political life to allow for a more inclusive public space for political contestation after years of one-party domination and one-man rule. Morocco and Jordan are quietly changing rules of political contestation (electoral and political party laws, including some constitutional amendments).

The ability of the ensuing democratic regimes to adopt immediate social justice policies, as mentioned above, is less certain. The current economic crunch, coupled with capital flight and the fluctuating nature of most sources of rentier revenue in the region (whether oil or other natural or geopolitical assets), will most probably make economic policy makers focus first on re-starting the economy to regain growth levels of pre "Arab Spring." While interim governments try to find the resources to start huge public works, the persisting populist demands for better wages, more secure contracts, better and cheaper housing etc. will continue to put pressure on state budgets. Ministers of finance in interim governments, who often suffer from risk averse psychology, may not want to venture into politically risky choices. They may find themselves forced to meet populist demands by increasing borrowing from abroad, domestically, or by other inflationary means. In any case, the budget deficit may well increase to unsustainable levels.

The interim governments will need to build a social and political constituency on which they can rely for political support that paves the way for a social justice agenda in the long term. In the short term, the working class is ready to march behind policies that improve their wages and contractual conditions. The result will be advocacy of populist spending that is not sustainable. Another possible political and social constituency is the middle class. The middle class in most Arab countries is traumatized by decades of economic and social impoverishment. The middle class was further politically marginalized. Weak political parties (other than former ruling parties) and controlled professional associations deprived the middle class of channels of expression and articulation of interest.

Consequently, a social and political constituency to reset economic policies on a social inclusion track will be hard to mobilize in the short term. This is particularly difficult, given the obvious lack of strong political parties with a social justice agenda in the Arab region. However, new social movements, especially those based on social networks and internet, new independent labour unions and new political parties- are on the rise. This bodes well for the future. However, as other transitions have taught us, the landscape of social and political actors could remain in constant flux for a while. The risk is that counterrevolutionary forces may re-organize and use electoral processes to come back to power.

Economic and social policy

A better understanding of unemployment dynamics

Successful policy interventions have to be based on solid evidence. A rigorous understanding of employment dynamics in the region, in LDCs and lower middle income countries, is complicated by lack of updated data on job seekers. These countries also face a funding constraint that limits the regularity and depth of labour market surveys that are carried out. Hence, the data on employment trends and dynamics are based on guesstimates. Even in the higher middle income countries with functioning employment offices, the information collected is limited and does not provide a solid base for understanding employment dynamics. It is even less suited to provide the desired response, follow up and monitoring support in the event that employment-focused programmes are launched.

There is therefore an urgent need for growth-employment diagnostic studies that will carefully evaluate policy options and trade-offs for expanding employment in the context of different growth trajectories. The studies would also assess the ability of sectors that have been providing the bulk of jobs to date to continue to contribute to employment creation in the future. In countries like Tunisia this work is already being attempted in the context of coming up with regional employment plans in selected governorates. Based on this assessment, the authorities can carry out cost benefit assessments of different mixes of interventions on demand and supply factors to inform a public debate about development choices. The assessments should, of course, pay particular heed to binding environmental and foreign exchange constraints and suggest ways that these can be relaxed.

The UN system would be well placed to assist interested countries in carrying out such diagnostics building on the work already done within the region and globally. The Arab League can also assist in the process by adopting common standards and facilitating inter-country exchanges.

Supporting local producers: imaginative use of government procurement

The current wave of contestation has unleashed a newfound pride in being Egyptian, Tunisian, etc, on which a movement to support local producers can be mounted. Limitations imposed on WTO member countries notwithstanding, there are imaginative ways in which the state can use public procurement policies to promote local industry and 'green' the economy. Governments can formulate the terms and conditions of offers and tenders such as to provide incentives for local content development and capacities by, for example, insisting on local, after sales support services or use of components that are more likely to be found locally, such as a particular kind of wood. In any event, the procurement market of the countries going through transformative change is not so major or lucrative as to lead to major trading blocks to lodge complaints against what may be perceived as non-authorized favouring of local suppliers.

Public procurement modalities can also be used to incentivize procurement from local farmers within the context of enhancing food security. For example, Brazil has implemented a Food Acquisition Programme (Programa de Adquisição de Alimentos, PAA), as a pillar of its Zero Hunger programme. The PAA has promoted the purchase of food from family farmers (by exempting it from public bidding processes) at prices compatible with those prevailing in regional markets.[100] (See Box 14)

States can also offer in-kind increases in the pay packages of civil servants with which they are provided the opportunity to buy particular locally produced commodities where substantial excess capacity exists. Even if the extra expenditure is financed through the banking sector, it need not lead to any inflation as the extra demand is likely to create the supply to respond to it. This way not only will the civil servants see their incomes approach a living wage, but in addition, jobs will be saved in the private sector and private investment will be encouraged. Currently for example, many Arab governments provide substantial subsidies on largely imported grain, which does not even produce a balanced diet. While it may not be politically feasible to revamp the system in the short term, measures can be taken to supplement it by providing targeted school feeding programmes, for instance. This can help inject some life into anaemic agricultural sectors by including the promotion of community gardens and livestock programmes and encourage local food processing activities to ensure that food reaches the intended beneficiaries in a fit state for final consumption, with minimal post-harvest losses.

Box 14 Brazil's programme for purchase of food from family farmers (PAA)

Programme Description

Under Brazil's Food Acquisition Programme (Programa de Adquisição de Alimentos, PAA) launched in 2003, the government directly purchases various agricultural products exclusively from family farmers at market prices to create public food stocks to regulate prices and provide high quality products to institutions dealing with food-insecure populations. Its twofold objectives are to "guarantee access to food in the proper quantity, quality and regularity according to the needs of the population living in food and nutritional insecurity, as well as to promote social inclusion in rural areas by strengthening family agriculture" (MDS).

Programme Results

- Direct monetary benefits: Beneficiary farmers received three times the income of non-beneficiaries as a result of marketing produce through the PAA. Purchases made by the PAA altered the relationship between producers and intermediaries in established markets and helped improve conditions for non-beneficiaries.
- The programme provided alternatives to traditional marketing channels, helped minimize the power of middlemen and ensured that farmers received fair prices. By providing a market for products that previously had no clear market opportunities, the programme raised income and market participation levels; beneficiary farmers also diversified their production and increased the use of various inputs such as improved seeds, fertilizers and the use of irrigation equipment.
- Additional benefits: At least 20% of farmers adopted new milking techniques in response to requirements of the PAA. The number of milk coolers installed in the particular region rose by 40% and the use of tractors, fodder, trucks and computers grew by 15%, 17%, 27% and 35%, respectively. 26% of farmers said they acquired new livestock that were genetically superior to those they previously owned. There were also improvements in nutritional outcomes for the most vulnerable populations who were receiving milk under the programme.

N.B. The approach of offering local market opportunities to farmers in public procurement plans is also present in Brazil's National School Feeding Programme (PNAE). A law approved in 2010 stipulates that, of the total financial resources transferred by the federal government to states and municipalities under the programme, at least 30% must be used to buy food directly from farmers, mainly at the local level. This amounts to about US$500 million. PNAE has a significant scope, since it provides a daily meal to about a quarter of the country's population. The initiative offers another market-access option for these farmers and seeks to stimulate economic development of their communities.

Analysis suggests that particularly in poor areas that are far from urban centres and where infrastructure facilities are poor, such public programmes can play a valuable role by ensuring predictable demand for the products of family farmers and by stimulating economic and social investments, as described above. The demand-side stimulus (through public procurement at predictable prices) can also help to increase the impact of more traditional supply-side policies (e.g. credit, insurance and technical assistance).

Source: Souza and Chmielewska, 2011.

Can a real exchange rate undervaluation help?

The assessment of challenges faced in structural transformation and particularly what has happened to the manufacturing sector, indicates that an overvaluation of exchange rate, which is normally associated with natural resource rents, is in part responsible for the excessive growth of the non-traded service sector.

In Arab countries that are highly dependent on food imports, increases in the price of imported food raises national inflation rates. The IMF has actually been pushing for an overvaluation of exchange rates in some countries, notably Yemen, as an anti-inflationary measure.[101] However, as such overvaluation tends to depress the prospects for the traded sector -and this is where the highest opportunities for increased productivity and hence income, exist- such a policy might actually end up increasing poverty by decreasing the income of the poor.[102]

While it will be difficult to sell politically, it makes sense for Arab countries to explore options for bringing about a real exchange rate undervaluation in order to counteract the Dutch Disease, at least in the interim period while capacities for effectively implementing carefully crafted industrial policies are built up. Of course, the success of such a strategy is contingent upon careful management of monetary policy so that a formal devaluation does not translate into generalized inflation, which might actually lead to further overvaluation of the effective exchange rate. Such a policy would have the benefit of providing blanket support to all entities involved in the production of traded goods and as such it will not be counter to WTO engagements. This should not detract from a longer-term objective to move from a real exchange rate undervaluation-led growth to innovative and skill intensive growth, especially in countries like Tunisia that already have a reasonably mature manufacturing sector.

Complementary action to support productive activities

While building up the capacity of state institutions to administer a carefully thought out industrial policy, there is scope for: a) higher public investment in infrastructure through a revised macroeconomic framework that allows for it; and b) easing access of private firms to affordable, long-term credit. Access to long-term credit can be expanded through the creation or strengthening of development banks by identifying incentives to shift bank lending away from support to more short-term and speculative real estate investments and consumption loans towards longer-term productive investment. The experience of Brazil's National Bank for Economic and Social Development (BNDES) may be of interest in this regard (see Box 15).[103]

Creation of public productive and social infrastructure

In order to lay the foundation for the eventual implementation of a long-term industrial and agricultural growth strategy, the state can launch an immediate programme of infrastructure upgrading to deal with the urgent need for jobs and affordable housing in the current economic junction.

Such a programme would deal with major bottlenecks to private sector growth in terms of transport, power and communication networks, as well as dealing with urgent social demands for affordable housing. The implementation of such an investment programme, using labour intensive methods, would create jobs in the immediate term and save foreign exchange on imports of machinery needed if capital-intensive methods are used. This is in line with the findings of the growth commission that public and private investment, funded from national savings, lay the foundations for sustained growth. This is exactly what was done by East Asian countries who managed to crowd in private investment by building the needed productive infrastructure through public action.

The infrastructure to be supported in LDCs is mostly in the form of feeder roads, small rural clinics and rural water supply networks. These are closely linked to the desired improvement in an agriculture-dominated economy. Infrastructure projects can be implemented using community-based mechanisms to design and monitor them, thus overcoming weaknesses in official monitoring and evaluation mechanisms.

The LDCs might also want to study the feasibility of adopting some version of the national employment guarantee plan operational in India, in order to provide a minimal level of income to their largely rural poor population.

The MICs would have to focus on infrastructure that opens up the more deprived regions and links them to main industrial and tourist sites. Hence, it is likely to be more in the nature of highways and improved rail networks. The MICs can ensure that such projects provide large scale employment to unskilled groups by stipulating certain minimum labour content in the contracts for such jobs.

It is possible for any country to easily allocate up to 1% of GDP through deficit financing to mount well-articulated public works programmes that actually increase the productive potential of the country without any inflationary impact. A programme of this magnitude may typically create jobs for a critical mass of unemployed persons to make a dent on the unemployment problem in the immediate term. It will not, however, directly create long-term jobs and will be of very limited use in dealing with the thorny issue of graduate job seekers.

In Egypt's case, one can mount a public works programme (PWP) for some $1.5 billion which, at an average cost of $5 per job created per day, can create 300 million work days, sufficient to provide 3 million people with part time work for 100 days a year. For Tunisia, the comfortable level of funding would be around $400 million which, at an average cost of $8 per job created per day, can create 50 million work days, sufficient to provide half a million people with part time work for 100 days a year; a remarkable achievement by any standard.

In addition to creating new assets, public works programmes can be used in countries undergoing transformative change to improve maintenance on existing facilities. Typically, such activities have the advantage of not requiring much in the way of auxiliary equipment, thus allowing for greater employment generation per dollar expenditure. The payback on such interventions is also unusually high, as these prevent decay in existing facilities, some of which have been built at considerable expense. Such activities can also be more evenly spread throughout the country to avoid possible charges of favouritism, which can plague regular public works programmes.

Box 15 Brazil's National Bank for Social and Economic Development (BNDES)

Description:

The bank offers several financial support mechanisms to Brazilian companies of all sizes as well as public administration entities, enabling investments in all economic sectors. In any supporting undertaking, from the analysis phase up to the monitoring, the BNDES emphasizes three factors it considers strategic: innovation, local development and socio-environmental development. The BNDES pays special attention to international trade, by financing mechanisms for exports of Brazilian products and services. Consideration is also given to increasing the international presence of Brazilian companies. The bank's operations cover most economic activity sectors. Some of the sectoral projects that BNDES supports are:

Cattle-Raising and Agriculture: Among other projects eligible for funding are beef cattle production, establishing or recovering pastures and costs and cultivation treatment until the first harvest of crops.

Trade, Services and Tourism: Special financing conditions are offered to projects focused on modernizing the infrastructure of education, health, social welfare and tourism.

Results achieved:

The Bank played a fundamental role in the Brazilian import substitution policies during the 1970s, culminating in the most complete industrial sector in Latin America. The Bank encouraged investments in new industrial segments, including information technology and microelectronics.

During the 1980s, the Bank encouraged Brazilian companies to compete with imported products on the domestic market, as well as stimulating exports. In the 1990s, it was responsible for the administrative, financial and technical support of the Brazilian Privatization Program, assisting in the sale of large state-owned Brazilian companies, which began in 1991.

In the 1990s, the BNDES emphasized its role in regional decentralization with heavier investment in less developed regions in Brazil, as well as support for exports of micro, small and medium-sized companies. In the 2000s, the bank moved to more systematic support for cultural activities, financing all phases of the artistic production chain. The BNDES today is an active and modern institution that continues to pioneer new boundaries, including establishing an international presence in 2009.

Source: Brazilian Development Bank (BNDES). http://www.bndes.gov.br/SiteBNDES/bndes/bndes_en/

The state can also engage in large-scale programmes that provide a minimum amount of predictable part-time work opportunities and facilitate support to schools (e.g. teachers' aides) and health facilities (e.g. community health workers and home based care as in South Africa's CWP). These programmes can assist by increasing the quality and reach of public health and education services in the immediate term. In the longer-term, reforms of public health and education services and upgrading the skills of personnel engaged in these sectors can do away with the need for such additional capacity. What is more likely is that some of the people recruited on these work opportunities may develop the necessary skills to be absorbed into a post-reform social service delivery structure.

Part-time PWP jobs can also be created in a number of other areas –e.g. early childhood care and other social services, food security through community gardens; etc., as well as major public awareness campaigns (e.g. adult literacy). The plans can include workers trained in advocacy and outreach who could animate debates on issues such as the inefficiency and poor targeting of current subsidy programmes, to lay the foundation for their eventual removal. Such plans can use barefoot social motivators that would animate public debates amongst the population at large to actually build a constituency for the removal of subsidies. The social animators can be provided with some minimal allowances.

Interventions to support the working poor

The country case studies commissioned as background papers for this report highlight the issue of the working poor, particularly in LDCs, where they do not have the luxury of remaining unemployed. Even in MICs, an increasing number of people like Mohamed Bouazizi find themselves marginalized in low productivity occupations in the informal economy.

There have been many successful community-based approaches, piloted in countries at different levels of development, to increase the income of the working poor, that can be replicated. These initiatives include productive inclusion, such as Brazil's PAA referred to earlier, as well as marketing cooperatives that assure small producers of higher and more consistent prices for their produce, on the model of the Amul Milk Cooperative in India. They also cover the work of such world renowned NGOs as BRAC in Bangladesh, whereby poor peasants are provided with training and needed support services, including access to credit and marketing, to engage in more remunerative traditional or new activities.

The self-help group concept has been supported amongst others by UNDP in a number of countries, including India, with great results. This approach assembles poor people in a given village who support each other through a group savings-based credit programme. The programme also provides technical training and links the organized communities to government services. This move allows the poor to improve their income earning opportunities by taking maximum advantage of available support services.

Such community-based approaches to improving the incomes of the working poor can be initiated in the immediate aftermath of democratic transitions, given their additional benefit for developing social capital and promoting participation of all in decision-making processes. They also provide an opportunity in terms of socially useful jobs to a team of social animators that will support the programmes.

Are peripheral regions destined for a life of misery?

The problem of sub-national disparities in the region and the role the resultant sense of grievance had in igniting the protest movement in Tunisia have been highlighted in this report. Clearly, if democracy is to take root and national cohesion be strengthened, post-revolutionary Tunisia and Egypt do not have the luxury of leaving behind the deprived remote regions.

The problem of regional disparities is not limited to Arab countries. The European Union has a special programme for assisting the deprived regions of its member countries to overcome their economic backwardness. Within Arab countries, Morocco and Algeria have attempted to deal with the problem and engaged in interesting regional development initiatives. Post-revolutionary Tunisia has even created a Ministry of Local and Regional Development to focus on the issue.

It is critical to immediately start dealing with the problem of regional disparities in the initial phase of the democratic transition, given that this is a major cause of discontent. The first requirement is to have a thorough understanding of the dynamics of regional development, on which a response plan can be articulated. To that end, local governance and local economic development issues have to be addressed as a matter of priority. The requirements for successful decentralization efforts also have to be defined by first electing local bodies and giving them a role in the management of local development issues. Bringing the government closer to the people will help to overcome traditional mistrust of authority and can lay the foundation for eventual attempts at increased domestic taxation.

In Tunisia, there is already a push for greater attention to local development with a new Ministry of Local Development in the transitional post-revolutionary government. Similar moves can be supported with measures aimed at strengthening grass roots democracy, by promoting bottom-up planning at the village level. The government of Tunisia and UNDP are already initiating action on this front, expected to produce lessons for replication.

Post-transition fiscal arrangements

The margin of manoeuvre for governments aiming to push through transformative change is initially constrained by pre-existing patterns of expenditure, which may be very difficult to alter in the short term. Staff costs typically account for a major share of current public expenditures and since they relate to salaries and benefits of staff already on the payroll, not much can be done about them. Discretionary spending is limited to the minimal budgets most entities have for operations and maintenance which, again, can only be cut at the risk of seeing capital assets deteriorate faster. Military and security expenditures cannot be cut in the short term due to the need to defend a reform-minded government against internal and external threats. There might be some room for minor adjustments to the budget for subsidies by marginally adjusting the prices charged for the subsidized items. However, even this move is unlikely to generate much revenue under the current conditions where recent increases in the market price of food and fuel, as the typical subsidized items, mean that the existing budget projections are likely to be an underestimate. Hence, at best an adjustment in prices can keep the expenditure within the allocated budget.

After a successful contestation movement, possibilities for raising revenues in the short term are limited due to the recessionary impact of radical changes in governments. Hence, in the immediate aftermath of a revolutionary change there is no escape from increased levels of budget deficit. The suggested programmes of building public infrastructure in particular are likely to further add to the deficit. The question is how to define a safe level of budget deficit that does not create long-term problems for the country. Here is where the nature of interventions to be funded assumes critical importance. So long as the suggested interventions can remove production bottlenecks faced by the local economy in a reasonably short time, they need not be inflationary, as they would be creating the supply needed to respond to the increased level of demand. Withstanding populist pressures for across the board pay increases for civil servants and the like thus become an important indicator in the short term.

There is not much possibility to effectively raise receipts against direct taxation in the short term due to institutional weaknesses and the need to allow time for the culture of responsible citizenship to emerge. Import duties and fees, however, can be increased to the extent compatible with each country's international obligations. In addition, such revenues would have the advantage of promoting local production by increasing the relative cost of imported items.

Governance reforms

With regard to governance a distinction has to be made between immediate and long term reforms or steps to be taken. In the long run two major mechanisms must be enhanced and secured in place: enhancing accountability and transparency and justice and rule of law. Meanwhile societies in transition must diligently work in the short run to address four major issues. These are: constitution building, elections, political participation and transitional justice.

Enhancing accountability and transparency

The economic measures needed for immediate action will be easier to sell if coupled with strong signs of readiness to stand up to all forms of corruption. Useful actions include (1) openness about what happened in the past (role of anti-corruption transitional commissions), (2) immediate action to strengthen and empower anti-corruption mechanisms and (3) direct measures to strengthen the judicial system to deal with sector-specific corruption cases. A professional, unbiased media with standards on investigative journalism will help guide public opinion away from populism.

One further governance intervention that can accompany tough economic measures is the immediate opening of budget processes and release of laws that ensure access to information.[104] This will increase popular ownership of the fiscal choices and thus lead to meaningful support of and engagement of the populace at large in reshaping public finances.

Justice and rule of law

A rupture with past corruption protected by incumbent political elites is necessary to underpin a successful transition. Arab outrage with the lack of integrity can be calmed through transitional institutional arrangements that investigate and try past abuses, embezzlement of public funds and violations of human rights. This requires that the role of the judiciary and its respected position in the Arab mind be closely monitored. Tunisia and Egypt are manifesting two alternative ways in the short term: in Tunisia, corruption is addressed by a transitional commission, while in Egypt the courts are handling the matter.

A complete change in mindset away from concern with the security of an incumbent elite to the security of all people will also help make economic reforms easier to accept. The model of oppressive stability has shown its limits, if not its bankruptcy. A change in how the security sector is governed can be initiated in the immediate term via new mandates that emphasize the professionalism, political neutrality and civilian control of this sector.

Constitution Building

Transitions to democracy require a new social contract- the governing document of which is the constitution. Previous transition experiences show that measures adopted vary from one country to another: while some completely revoke the old constitution others introduce amendments that conform to the character of the new phase. This is very much influenced by the transition's style; if the transition represented a complete break with the past or, alternatively, if it was the product of a negotiation process. In Brazil, for example, congress was elected first and commissioned to write up a new constitution, which was later approved while in Chile, the opposition negotiated with the regime to amend the constitution. South Africa's old constitution remained until the negotiations ended with the apartheid regime. Argentina on the other hand, only changed its constitution ten years after the inception of the democratic reform phase. Finally, in Tunisia, the revolution revoked the constitution after which a higher national commission was set up and commissioned to prepare for elections of a national constituent assembly to write up the constitution.

However different these experiences are, the lessons learnt from these countries concerning constitution building indicate the importance of reaching consensus on fundamental problems to ensure that the constitution appropriately reflects and protects the interests and rights of all social groups. Furthermore, the process of writing the constitution should be characterized by the inclusion of all political groups, economic factions and religious loyalties as well as racial and ethnic affiliations so that the constitution becomes expressive of all and owned by all without exception. South Africa offers an excellent model in this respect.

Box 16 The process of constitution making

A distinction should be made between constitution drafting, which is a legal and technical act and constitution making, which is the result of political dialogues and compromises. Constitution making is a complex and multi-dimensional venture. It involves various processes and stages, with multiple actors consulting with one another to reach a consensus on the nature of the constitution. The makers of the constitution need to decide on the procedures to be followed during the making of the constitution and they also need to deliberate on relevant matters like the nature of the political institutions that will be set up (this can include the judiciary, federal and regional governments). The whole process may be a guided roadmap and a sequence of events to be accomplished within a certain time-frame; and the time frame may be ridged or flexible.

Source: The Constituent Assemblies and Process of Making Constitution, IDEA October 2007:1

Elections

One of the pressing issues relevant to governance and transition is that of elections. The organization of the first free and fair election, the expansion of participation and of political parties' rights and reaching agreement with political forces of the old regime are all difficult challenges of democratic transition. However, though difficult, country experiences have exemplified different measures.

Brazil focused on the procedural matters related to the voting system, means of regulating the electoral process and its integrity. Both Chile and Argentina made successful attempts to set up a large alliance among forces that support democracy. Both Indonesia and Chile encouraged participation by women and youth. Tunisia recently dissolved the ruling party, deprived its members from exercising their political rights and decided to allocate 50% of the parliamentary seats to women. South Africa and Mexico were adamant about ensuring representation of minorities. Mexico provided a unique example in public financing of political parties: public financing accounted for 90% of the budgets of political parties; 30% of public finance was evenly distributed to all parties, while the remaining 70% was distributed to each party according to its share of seats in the last congress. Parties' ability to have access to the media was limited except through the government media so as to ensure equality between them.

In addition, first post transition elections indicate that there are several lessons to be learnt to ensure fair, competitive and clean elections: The need to have clear rules and procedures for elections; interpretation and legal action against violations is entrusted to the Court of Cassation for Electoral Affairs; establish an independent electoral management body that is powerful and enjoys the trust of the people; equal opportunities for competition between the parties, in terms of funding and access to the media; and the obligation of loyalty to democracy by the parties. An independent electoral management commission should work among other things on drafting rules organizing the election process, compiling and updating valid electoral lists and ensuring their regular revision, ensuring fairness and integrity of election campaigns and monitoring and evaluation of elections. Setting up a specialized court to consider election related cases is another option that may be pursued.

From a sociological perspective, given the demographic structure of Arab countries, the involvement of youth in the election process as candidates, observers of election integrity and as voters appears to be imperative and conducive for political stability. Furthermore, inclusion of the excluded and marginalized groups such as poor and rural youth must be taken into account. Urging youth to become politically active and engaging them in the transition phase can secure the continuation of the democratic transition into the future. Stressing the importance of looking at elections from gendered perspective should not be understated given the growing political conservatism in most Arab countries.

Political Participation

Ensuring political participation by all social, economic and political entities including anti democratic forces may be essential as national unity is necessary for successful transition and the prevention of return to dictatorship. As such, large scale coalitions or alliances for democracy should be made and party alliances that can win a parliamentary majority should be encouraged. This should be accompanied by support for party institutional structures and support for democratic values at all levels of community and society. Furthermore, freedom of the press should be ensured and given higher priority including equal access to mass media by political parties.

It must also be remembered that the motives of transitions and revolutions are often socio-economic, not only political. In the Egyptian and Tunisian cases, the masses were concerned as much with clean and democratic government as with better living conditions and less corruption. This may pose urgent challenges for political parties in the Arab region. The first of these challenges is the need for parties to stress social justice, as political democracy has to be linked to people's standard of living. A popular democracy that achieves social justice is vital. Otherwise, transition may lead to military or religious fascism, seeking an absolute and just ruler, capable of providing them with decent living, a state where democracy is not a priority.

Transitional Justice

Successful transition to democracy involves the achievement of two goals, which sometimes seem conflicting and even contradictory, namely:

1. Achieving justice for the crimes of human rights violations committed during the dictatorship; and
2. Moving forward to build a future.

These goals are linked to the question on the extent to which one should insist on punishing those who committed crimes against human rights. The answer depends on the circumstances of each country and there is no standard recipe for the time required to achieve justice during the period of transition to democracy, as exemplified in transition processes across Latin America, Africa and Asia. Furthermore, the negotiation process with the old regime is often difficult.

While people may disagree on the past, they do not have the luxury to disagree on the present and the future; thus, reconciliation is a goal that cannot be avoided, if a nation is to be unified in its view of the future without excluding any party. A nation that is divided against itself without the ability or willingness to tolerate risks can expose the emerging democracy to danger. It must be stressed, however, that democracy without justice may not be effective and the speed in applying justice is a tough challenge that requires both courage and clarity.

As such the notion and mechanisms of transitional justice which are governed by the conditions of the country and the history and type of violations must be entertained during the period of transition. In this respect, the experience of previous countries such as South Africa and Chile which are dramatically different provide some food for thought. Various mechanisms and tools of transitional justice need to be selected with sensitivity to country context. These measures include legal frameworks for truth and reconciliation commissions, judicial and non judicial processes of truth seeking, punishment, amnesty and reparations. At the same time due attention has to be amended to long term institutional reforms and symbolic measures for collective remembering to secure that violations are never repeated in the future.

4 Promises and Challenges of the Arab Spring

The Arab development model has been based on an interventionist and redistributive social contract. The governments followed an interventionist economic policy approach with an expanded public sector under the banner of import substituting industrialization. This was accompanied by timid attempts at some form of rural transformation by limiting the power of traditional feudal lords and limited land reform measures. The state expanded public provision of healthcare and education and provided an avenue for most educated Arabs to join the ranks of the middle class through large scale recruitment of university graduates into the civil service. The state was also actively involved in the economy through a myriad of enterprises in the public sector that were involved in all manner of commercial activities.

The policy of state-led development and substantial increase in public provisioning of basic social services formed an integral part of the Arab social contract. It led, particularly over the period from 1960 to 1980, to a substantial increase in levels of human development and the emergence of a sizeable middle class that ensured a substantial decline in the ranks of the poor and dramatically increased the quality of available human capital. The rising middle class, while achieving social mobility through education, had to contend with exclusion from political processes, which only had the formal trappings of popular engagement.

Since 1980, the region has given up on the Arab nationalist economic model in response to the inability of the old system to respond to the rising socio-economic challenges. Reforms were introduced in the wake of declining oil revenues following the peak in oil prices at over $35 a barrel in 1980 and their subsequent fall to levels of around $15 a barrel for the period of 1986-1999. The reform measures included large scale privatization of public assets and dismantling of most barriers to international trade. As the reforms were at best carried out in a political context of limited accountability of public officials, the process led to further enrichment of politically well-connected individuals who managed to appropriate public assets cheaply and to replace formal state monopolies with effective private ones. Hence, while the economy became formally free, it did not have the basic elements of a free market, namely the ability of new firms to enter it.

Concurrent with implementation of reforms, growth picked up in the Arab region. Many countries experienced long periods of growth of 5% and higher. However, it is not easy to ascribe the increase in growth to the adoption of market reforms alone, as the period was also marked by a major change in an exogenous factor, with oil prices registering an upward trend since 2000. For the most part, the reforms failed to have a significant positive impact on the human condition, despite the region being equipped with all its needs, including financial and material wealth and a young and increasingly well-educated labour force.

Thus, despite a long period of sustained increases in GDP, the increase in income has not been sufficient to cement social cohesion and enlarge the freedoms and sense of dignity enjoyed by Arabs. This was not unanticipated, as the development model did not follow the path of people- centred development that UNDP has been championing since the launch of the first Human Development Report in 1990.

In fact, the economistic vision of development as increased production of goods and services can easily go hand in hand with less social cohesion, usurpation of traditional rights and freedoms and can undermine human dignity by treating human beings as commodities. Human development, while clearly dependent on material welfare and increased supply of the basic necessities of life, is about people having greater freedom from the elements and from oppressive dependence on other human beings. Human development is about creating a society in which human dignity is respected and human agency is promoted. It is thus inherently in contradiction with destruction of environmental assets and denial of basic human dignity.

With some qualitative variations, the economic structure that underpins the majority of Arab political systems is largely based on extractive industries that generate few jobs directly and a bloated and non-productive tertiary sector through which rents collected by the state are partially distributed to the public at large. The economies of the region are characterized by declining productive sectors, with agriculture remaining largely at the mercy of the elements and poor policies and incapable of meeting the food needs of an ever growing population. In addition, since the 1970s trade liberalization in a regime of overvalued currencies has stymied the industrialization efforts started by many Arab countries in the1960s. The region thus remains heavily dependent on imports for the basic survival of its population and has not managed to use its wealth of natural and human resources to negotiate for a more even-playing field and a greater role in the evolving international order.[105]

Based on evidence reviewed in this report, only one Arab country, Tunisia, has achieved sustained growth since 1960 and has been able to satisfy the requirements of a structural economic transformation (a move from a predominantly agriculture-based economy to one based on manufacturing and services) between 1970 and 2007. Nevertheless, even this performance faced increasing problems since 2002 because of the ever increasing avarice of the political elite linked to the former President Zine El Abidine Ben Ali, who hindered the move of Tunisia into a knowledge-based economy. The Jasmine Revolution of 14 January 2011 that overthrew the old order was a direct result of this greed, in which the fruits of economic growth were increasingly only reaped by a small political elite.

In Egypt, one of the roots of discontent that led to the 25th January revolution was the obvious greed of a small, politically connected business elite that seized the benefits of the growth process. This is evident in the observed rise in poverty as a result of soaring food prices at a time when GDP per capita was rising at the rate of 2%. Clearly, when the majority of the population saw itself getting poorer when the country overall was getting richer, it was moved to indignation and to a well-founded sense of social injustice and discontent.[106]

Despite the moderate levels of income inequality reported in household surveys, social exclusion has clearly risen over the past two decades in most Arab countries and inequality in wealth is certain to have deteriorated significantly. Today, land and asset concentration is a visible phenomenon and clearly intensifies the sense of exclusion despite reductions in the rate of absolute poverty. Meanwhile, a large and increasing member of the urban poor cluster in areas without sanitation, recreational facilities, reliable electricity and other services.

This report argues that tough developmental choices needed in the Arab region can only be made by a responsive and accountable government that represents the needs and aspirations of many, not the few. Accountability of government makes policies more transparent and effective. However, no policy pleases everyone all the time. Hence, minimizing social conflict around tough choices is important for the effective implementation of policies. Inclusive participation of social and political institutions that mobilize and articulate collective interests (be they political parties, labour unions, professional associations, or civil society advocacy groups) ultimately enhances the ability of states to defuse social conflict.

The demands of the Arab street, as reflected in hours of public debates on television, in civil society circles and in rounds of national dialogue in various countries in the Arab region, are for a new societal bargain based on: (i) enhanced legitimate leadership through free and fair elections in an environment of freedom of expression and organization; (ii) responsive policies of inclusion and equity that are informed by inclusive participative partnerships between state and society; (iii) effective implementation of policies through social monitoring and strict control of corruption, in a context of freedom of information; and (iv) legal/administrative correction of violations of fundamental human rights under the vigilant eye of an independent judiciary and an unbiased professional media.

The Arab region has come to a fork in the path. In a number of countries the old paradigm of power and its associated social contract have been effectively overthrown. In others, contestation of different aspects of the development model is taking place. It is becoming increasingly clear that business and development as usual are no longer effective options for dealing with the myriad of socio-economic, political and environmental challenges faced by the region.

However, a successful developmental transition is contingent upon taking into account the difficult overall context. In addition to continued instability in parts of the region, the reappearance of a global financial crisis and real risks of the world slipping into a prolonged recession further restrict the scope for external support to the transformation process. The global trading context is more competitive than ever, which makes the challenge of creating decent jobs even more difficult. The recent low average levels of rainfall and the spike in food prices increase the vulnerability of the region by creating food insecurity and threatening the livelihood of population groups that farm the land.

The more populous Arab countries with higher concentrations of income and human poverty face declining levels of natural resource rents and most of them have turned into net oil importers. Their ability to invest is also impaired by low rates of savings, a major share of which is transformed into unproductive, speculative investments in real estate as opposed to productive activities, whether they are in manufacturing or services. With rising levels of higher education across the region, the challenge of creating new jobs has also become more complex.

The problems of the region result from the interplay of political and socio-economic factors, with non-representative or non-inclusive and participatory polities reinforcing and being reinforced by rentier and semi-rentier economies. The solution should thus build on a symbiotic relationship between truly representative political systems and economic systems that promote productive investment and set in motion a virtuous cycle of increasing productivity and wider markets that create jobs in diverse sectors and geographic areas. The negative effects of corruption on optimal use of public resources and productive private investment need to be redressed through a system of checks and balances that ensures societal control over use of public assets and provides the private sector with the required stability to invest for the long term. An increased voice of the voiceless would help reinforce social stability and cohesion, hence strengthening national identity and security. The funds currently allocated to internal security can thus be diverted to investments in human capabilities.

A transformed region that invests more in its people and uses its natural resources more wisely would be able to regain its central place at the crossroads of humanity as a beacon of hope and progress. It would also deal more effectively with its fragile environment and situation of water scarcity, which have already disrupted the livelihoods of many in some of the poorer parts of the region and threaten others if no urgent action is taken to resolve them.

At the official level, most Arab countries do not lack commitment to address the problems. We note that the first ADCR, published jointly by UNDP and the League of Arab states in 2009 and officially endorsed by the Arab Economic Summit, recognized these fundamental development challenges and policy recommendations:
"The first main element of any proposed social contract is that which relates to the need to move from a non-developmental oil-led growth model to a developmental state model where productive sector performance, poverty and inequality reduction and employment are the main benchmark for success.... This no doubt requires a major revisiting of the current institutional and governance frameworks."[107]

The concluding declarations of the 2009 and 2011 Arab Development Summits also presented a reaffirmation of the commitment of the region to achieve the MDGs and the agreement to activate policies and programmes to reduce, among other things, poverty and unemployment, to improve social equality, to empower youth and women, to raise women's participation in economic, political and social life and to invigorate the role of civil society. In the past two decades, the Arab region has also witnessed a number of declarations for good governance, democracy and human rights.

Affirming commitments and setting standards are good starting points, but they are not enough. Legacies of Arab socialism and state capitalism have created hybrid economies that are mostly characterized by close state– business relations supported by the security apparatus. In this report, we discuss principles and features of good governance that are needed in the region as necessary corollaries to equitable reform in economic policy. The main principles are effectiveness, responsiveness and accountability. The main features centre around the selection –through elections– of those who rule; the participative identification of policies and monitoring their implementation, as well as timely course correction when deviations/violations/corruption take place.

Alongside fundamental governance reforms, the global economic crisis has created an opportunity for Arab countries to rethink macroeconomics for development. Such rethinking is both necessary and desirable. It is essential to redefine macroeconomic objectives so that the emphasis is on fostering employment creation and supporting economic growth instead of the focus on price stability alone. In doing so, as argued by Nayyar (2011), it is essential to overcome the constraints embedded in orthodox economic thinking and recognize the constraints implicit in the policies of ideology and interests.

In sum, charting an Arab development path anchored in human dignity that promotes (social, economic and political) inclusion, social justice and equity, is not only desirable, it is also within reach. In fact, all the necessary endowments – in terms of natural, human and financial resources – are widely available within the region and political commitment, embodied in the resolutions adopted by the two Arab Summits on Social and Economic Development of January 2009 and January 2011, help to set the course towards this end. The window of opportunity to chart this new course was pried open by the people of the Arab region themselves in their reclamation of human dignity and in their demands for "bread, freedom and social justice" -- a slogan which captures the inseparability and inter-dependence of economic, social and political life, indeed of social, economic and political inclusion. A new course is theirs to chart; it is the subject of national debate and dialogue in some countries and of reforms contemplated, introduced, or accelerated by governments in others.

At this historical junction, as new development challenges add to or converge with the old–unemployment and inequalities, for instance– there is a growing recognition of the need for and increased political will to explore alternative development solutions and models to those that have been pursued or prescribed thus far. This second Arab Development Challenges Report has been produced in this context. It seeks to contribute to the intense debate about societal choices in the region by offering a menu of policy options and concrete actions that have been tried in the region and beyond.

Endnotes

[1] It should be noted that a significant share of the population which migrated to Damascus and Homs (estimated by some Syrian experts to be around 2-3 million) also came from the fertile and rainy regions such as the Coastal region and Qunaitra.

[2] Behrendt 2009.

[3] These issues of governance have been discussed in depth in all Arab Human Development Reports of UNDP: Towards Freedom in the Arab World 2004; Towards the Rise of Women in the Arab World 2005; Challenges to Human Security in the Arab Countries 2009.

[4] The Economist 2011 http://www.economist.com/node/21528212.

[5] UNDESA http://esa.un.org/techcoop/policyNotes.asp.

[6] The analyses and results contained in this report were prepared prior to the session of South Sudan and this should be taken in account in all references and analyses regarding Sudan.

[7] For further details refer to background paper "Human Development and Deprivation" by Abu-Ismail et.al. 2011.

[8] Refer to Annex Table 1 for more analytical results on MDGs achievement

[9] For further details refer to background country case-study "Poverty Dynamics in Yemen as a representative Arab LDC" by Pournik and Abu-Ismail 2011.

[10] Moheiddin 2011:19.

[11] The countries covered include only: Egypt, Jordan, Morocco, Tunisia, Kuwait, Oman, Qatar and Yemen and Saudi Arabia (due to limitations in data).

[12] According to estimations using United Nations Statistics Division-National Accounts Main Aggregates Database, World Development Indicators (Edition: April 2011).

[13] References to the region are based on the small sample of countries for which data is available.

[14] Tzannatos 2009.

[15] According to ILO KILMnet database, employment to population ratio is defined as the proportion of a country's working-age population that is employed a high ratio means that a large proportion of a country's population is employed, while a low ratio means that a large share of the population is not involved directly in market-related activities because they are either unemployed or (more likely) out of the labour force altogether.

[16] Discouraged workers are people who drop out of the labour market after a period of unemployment. This follows a period when they have been unable to get work they regard as suitable for their qualifications, or in some cases to get any work at all. Discouragement may result from recognition that disuse is causing their skills to deteriorate, from fear that employers regard prolonged unemployment as being in itself a bad signal, or through sheer depression arising from idleness and poverty.

[17] Refer to UNDP 2011.

[18] Refer to UNDP 2011.

[19] Refer to UNDP 2011.

[20] Tzannatos 2009.

[21] Tzannatos 2011.

[22] For further elaboration of the method used, see background paper "Employment, Vulnerability, Social Protection and the Crisis of Arab Economic Reforms" by Abu-Ismail et.al. 2011.

[23] See Annex- Table 25.

[24] This section is primarily based on background paper "Social Policies and Poverty in Egypt" by Moheiddin 2011 and "Building Adequate Social Protection systems and protecting people in the Arab Region» by ILO 2009.

[25] See Annex- Tables 26 and 27 for details.

[26] ILO 2009.

[27] Temporary employment comprises work under a fixed- term contract, in contrast to permanent work where there is no end-date. Employment under temporary contracts often entails a different set of legal obligations on behalf of employers; in particular, certain aspects of employment protection legislation do not apply to temporary contracts while Casual workers are workers who have an explicit or implicit contract of employment which is not expected to continue for more than a short period, whose duration is to be determined by national circumstances. These workers may be classified as being employees or own-account workers according to the specific circumstances of the employment contract.

[28] Tzannatos 2009.

[29] Robalino 2005.

[30] Tzannatos 2009.

[31] ILO 2009.

[32] ILO 2009.

[33] This section is mainly drawn from the background paper "Is there Fiscal Space for Financing an Arab Development Transformation" by Roy et al.2011.

[34] Middle East Institute 2011.

[35] World Bank 2007.

[36] Kremer, Kumar and Mohamed 2009.

[37] Brown 2011.

[38] Jägerskog and Tropp 2006.

[39] The fiscal cost of food subsidies increased in all countries as a result of their universal or quasi universal coverage of food subsidies, the rapid growth of the population and the high level of subsidy of the commodities provided. It reached, as percentage of government expenditures, 18.4% in Egypt in 1985; 17% in Algeria in 1991, 16.3% in Yemen (1995), 5.5% in Morocco (1995) and 4.5% in Tunisia (1995).

[40] AfDB and World Bank 2009.

[41] Pelham 2011.

[42] Global Footprint Network 2010.

[43] Elasha 2010.

[44] UNDP 2010b.

[45] U.S. Energy Information Administration, June 2011.

[46] Refer to Background country case-study "The Dynamics of Poverty and Unemployment Reduction in Morocco" by Abi-Samra 2011.

[47] Synthèse du Schéma National d'Aménagement du Territoire, Ministère de l'Aménagement du Territoire 2003.

[48] Swearingen 1987.

[49] Pournik 2005.

[50] See to background country case-study "Poverty Dynamics in Yemen as a representative of Arab LDCs" by Pournik and Abu-Ismail 2011.

[51] KILMnet, ILO Dataset.

[52] http://www.guardian.co.uk/commentisfree/cifamerica/2011/feb/06/tunisia-democracy-joseph-stiglitz

[53] Przeworski and Limongi "Political Regimes and Economic Growth" Journal of Economic Perspectives 7 1993:3; Przeworski "Modernization:Theories and Facts" World Politics 49/2; Przeworski "Capitalism, Development and Democracy" Revista de EconomiaPolitica 24 (4) cited in Elbadawi and Makdisi 2011:152-3. These issues of governance have been discussed in depth in all Arab Human Development Reports of UNDP: Towards Freedom in the Arab World 2004; Towards the Rise of Women in the Arab World 2005; Challenges to Human Security in the Arab Countries 2009.

[54] Beblawi and Luciani 2010.

[55] International IDEA in Stockholm conducted three local governance assessments in Jordan, Yemen and Egypt. In varying degrees, those deficits come out clearly in all three. The same points have been made in a December 2010 conference on local governance at Cairo University. Papers by Hala Sakr and Najwa highlighted these deficits in the Egyptian case.

[56] In Egypt, issues of minimum wages, «privatization» of health insurance, respecting the right to health which was protected in a decision to repeal linking the price of drugs with world prices, respecting the right to education in the legal action taken to cancel the decision of the Supreme Council of Universities to increase state university tuition fees ten-fold and the legal action taken to repeal forced eviction of 5000 inhabitants of «Al-Qursaia» Island.

[57] Mohamed Abdel Baky "Workers now independent: Government domination of workers› unions has officially ended", Al-Ahram Weekly 17 - 23 March 2011, Issue No. 1039; Abdel Ghaffar Shukr "Labor Unions and Societal Stability" al-Ahram Daily, July 9th, 2011:10. Rodrik 2000. El-Mikawy and Posousney "Labor Representation in the Age of Globalization: Trends and Issues in Non-Oil Based Arab Economies" in Handousa and Tzannatos 2002:49-94.

[58] Besides the difficulty of structurally defining the middle class (by income, by relational position to factors of production and by educational attainment), there is a challenge in understanding its functional role. Liberal democratic schools have perceived the middle class as an agent of modernization and ultimately democratization. Based on a Socratic belief that the middle class is important for the moderation of a polity, the modernization school of the 1960s espoused a view of development which predicts the expansion of the middle class (through education, urbanization etc) leading to a society of mass consumption that greases the wheels of production (the American dream, so to speak). More recent liberal democratic thought pinned hopes on an expanding middle class that would demand more democracy (some interpretations of Asian development and some prognosis of the future of China). The history of Europe and other regions, however, has shown that the middle class can espouse liberal as well as fascist policies and ideologies.

[59] Abdel Kahlek and El-Sayyed "Egypt: Development, Liberalization and the Persistence of Autocracy" in Elbadawi and S. Makdisi 2001:256-269; Safadi et. al. "Syria: the underpinnings of autocracy – conflict, oil and the curtailment of economic freedom" in Elbadawi and Makdisi 2011:142-165; Kienle 2000.

[60] UNDP 2010a.

[61] Kodmani 2010:64-69; The Economist Intelligence Unit The Democracy Index 2010; Safadi et al. "Syria: The Underpinnings of Autocracy-Conflict, Oil and the Curtailment of Economic Freedom" in Elbadawi and Makdisi 2011:142-165. UNDP 2009.

[62] Publications of the Carnegie Endowment for Democracy and International Peace have regularly made this point and warned against putting security ahead of development in the Arab region.

[63] See background paper by EL Mikawy for further details.

[64] Women only represented 0.3% of the total legislatures (that is only one woman was in the parliament versus 300 men) in 2003 Parliamentary elections.

[65] DRI and IPRI 2011.

[66] O'Donnell and Schmitter 1987.

[67] Schmitter 2010.

[68] Many government supporters in the electoral college defected and voted with the opposition, defeating the official government candidate for president in 1984. The electoral college instead, chose Tancredo Neves, the governor of Minas Gerais and one of the important leaders of the opposition, to become Brazil's first civilian president in January 1985, after 21 years of military rule. Neves, who was 74, fell ill on the eve of his scheduled inauguration in March 1985 and died in late April, before he could assume office. His Vice President, Jose Sarney, was sworn in as president.

[69] DRI and IPRI 2011.

[70] Schmitter 2010.

[71] Karl 1990 and Lipset 1981.

[72] After years of claiming that institutions matter by many institutional economists, it was Dani Rodrik who singled out five such institutions among them those for management of social conflict. The others were property rights, social policies, policies of macro economic stabilization and regulatory institutions (Rodrik 2000).

[73] Mohamed Bouazizi (29 March 1984 – 4 January 2011; Arabic: محمد البو عزيزى) was a Tunisian street vendor who set himself on fire on 17 December 2010.

[74] See Campbell 2010.

[75] See Epstein 2009.

[76] See ILO Global Jobs Pact Policy Brief #4 which outlines how a political commitment to achieve a specific employment outcome can be translated into output growth rate target (e.g. based on the computation of a 'labour-absorbing rate of the growth of employment). Given that the pattern of growth in many countries has left significant numbers under-employed or engaged in informal and/or survivalist activities, Campbell 2011points out that, ideally, the output target should be sufficient not only to absorb new entrants to the labour market, but should also factor in the need to 'convert existing unproductive jobs into productive ones'.

[77] For more details on the approach please refer to www.africanfutures.org, an NGO that grew out of the work done by UNDP on NLTPS.

[78] See Altman (2007 and 2010).

[79] Commission on Growth and Development 2008.

[80] Roy, Heuty and Letouze 2007.

[81] See Chang 2009: 28.

[82] Externalities refers to situations when the effect of production or consumption of goods and services imposes costs or benefits on others which are not reflected in the prices charged for the goods and services being provided.

[83] See Chang 2005.

[84] Palma 2003.

[85] See UNCTAD 2006. The UNCTAD 2006 Report is visionary in exploring both supply-side and demand-side policies for the development of productive capacities. For a recent focus on the development of productive capacities in LDCs in Asia-Pacific, see UNESCAP 2011.

[86] Refer to Background paper «Is there Space for Development Friendly Trade and Industrial Policies in Arab Countries» by Abu-Ismail et.al. 2011 for further details.

[87] Refer to Background paper «Is there Space for Development Friendly Trade and Industrial Policies in Arab Countries» by Abu-Ismail et.al.2011 for further details.

[88] Fennell 2009.

[89] See World Bank 2009 and United Nations 2008.

[90] Bushehri 2010.

[91] Ibid.

[92] De Schutter 2010: 6.

[93] Ibid.

[94] It should be noted that this perspective however contradicts with other interpretations by Syrian scholars and experts for example as echoed by Ryad Al Abrash and Ossama Al Anssari.

[95] AfDB, MENA Regional Concentrated Solar Power Scale-Up Program, Workshop Proceedings of the Second Joint CSP Workshop of the African Development Bank and the World Bank Group, AfDB, Tunis (2009).

[96] Chauffour 2011.

[97] See "Eco Summits's "Kuwait Declaration" underlines importance of raising Arab. http://www.kuna.net.kw/NewsAgenciesPublicSite/ArticleDetails.aspx?id=1969912&Language=en and video "MDG debate, Statement by League of Arab states", UN Summit, 20-22 September, 2010, New York http://www.unmultimedia.org/tv/webcast/2010/09/league-of-arab-states-mdg-debate.html

[98] Launched in 2008, it is a coalition of NGOs from Morocco, Tunisia, Egypt, Jordan, Lebanon and Bahrain lobbying for access to information in the Arab region.

[99] Reporting to the Human Rights Council in the Universal Periodic Review (UPR) has encouraged government institutions to report in partnership with non-governmental organizations http://aohr.net/english/data/Annual/2008/annual2008.pdf

[100] See Chmielewska and Souza 2011.

[101] Refer to Article IV Reports on Yemen, available on the IMF website http://www.imf.org/external/country/yem/index.htm

[102] For a detailed discussion of the impact of exchange rate undervaluation on poverty see Elbadawi 2010.

[103] See Brazil's National Bank for Economic and Social Development (BNDES) which deploys a local content index for its financing and provides export credits to Brazilian exporters, either through direct financing or interest equalization payments. http://www.energiahoje.com/brasilenergy/2010/12/01/421879/financing-vs-local-content.html

[104] See for example, India's Right to Information Act (2005), http://rti.gov.in/webactrti.htm Amongst other things, the act mandates proactive disclosure of information by public authorities.

[105] See UNDP 2007.

[106] See for example Huntington 1968.

[107] LAS and UNDP 2009: 30.

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Annex Tables

List of regional groupings

Arab countries GCC	Mongolia	Albania	Cuba	Pakistan	Mali
	China (Rural)	Armenia	Dominica	Sri Lanka	Mauritius
	China (Urban)	Azerbaijan	Dominican Republic	India (Rural)	Mayotte
Bahrain	American Samoa	Belarus	Ecuador	India (Urban)	Mozambique
Kuwait	Fiji	Bosnia and Herzegovina	El Salvador	Nepal (Rural)	Namibia
Oman	Kiribati	Bulgaria	Grenada	Nepal (Urban)	Niger
Qatar	Marshall Islands	Georgia	Guatemala	**Sub-Saharan Africa**	Rwanda
Saudi Arabia	Micronesia	Kazakhstan	Guyana		Sao Tome and Principe
United Arab Emirates	Palau	Kosovo	Haiti	Angola	Senegal
Maghreb	Papua New Guinea	Kyrgyz Republic	Honduras	Benin	Seychelles
Algeria	Samoa	Lithuania	Jamaica	Botswana	Sierra Leone
Libya	Solomon Islands	Macedonia, FYR	Mexico	Burkina Faso	South Africa
Morocco	Tonga	Moldova, Rep.	Nicaragua	Burundi	Swaziland
Tunisia	Tuvalu	Montenegro	Panama	Cameroon	Togo
Mashreq	Vanuatu	Romania	Paraguay	Cape Verde	Tanzania
Egypt	Cambodia	Russian Federation	Peru	Central African Republic	Uganda
Iraq	Indonesia	Serbia	Saint Kitts and Nevis	Chad	Zambia
Jordan	Lao PDR	Tajikistan	St Lucia	Congo, Rep	Zimbabwe
Lebanon	Malaysia	Turkey	Saint Vincent and the Grenadines	Cote d'Ivoire	
Occupied Palestinian Territories	Philippines	Turkmenistan	Suriname	Congo, Dem. Rep.	
Syria	Thailand	Ukraine	Uruguay	Eritrea	
LDC	Timor-Leste	Uzbekistan	Venezuela	Ethiopia	
Comoros	Vietnam	**Latin American & Caribbean**	Honduras (Urban)	Gabon	
Djibouti	Indonesia (Rural)		Uruguay (Urban)	Gambia, The	
Mauritania	China (Rural)	Antigua and Barbuda	**South Asia**	Ghana	
Somalia	China (Urban)	Argentina		Guinea	
Sudan	American Samoa	Belize	Afghanistan	Guinea-Bissau	
Yemen	Fiji	Bolivia	Bangladesh	Kenya	
East Asia & Pacific (developing countries only)	Indonesia (Urban)	Brazil	Bhutan	Lesotho	
	Cambodia (Urban)	Chile	India	Liberia	
China	**Europe & Central Asia (developing countries only)**	Colombia	Maldives	Madagascar	
Korea, Democratic People's Republic of		Costa Rica	Nepal	Malawi	

Table 1. MDG achievement Index for Arab countries (1990-latest year) for oil rich and poor countries

Country/ Region	Typology	Under weight children <5[1]	PER[2]	Literacy[3]	girls to boys in primary[4]	girls to boys in secondary[5]	5> mortality rate[6]	Infant Mortality rate[7]	Maternal mortality rate[8]	Births by personnel[9]	%without water[10]	%without sanitation[11]
Comoros	OP-LIC	-97	38	3	0	11	-58	-62	0	10	-215	-17
Djibouti	OP-LIC	-86	43		4	23	-49	-53	-7		51	
Mauritania	OP-LIC	6	-2	31	-15	-4	-75	-77	2	13	7	-62
Somalia	OP-LIC	-167					-92	-92	-53	41		-43
Sudan	OR-LIC	-69	43	6	5	3	-70	-72	8	47	-23	-43
Yemen	OR-LIC	-123	5	3	16	19	-5	-13	9	34	-72	-17
Algeria	OR-MIC	38	1	1	2	-18	-24	-32	-54	-9	-268	26
Iraq	OR-MIC	2	10	8	11	21	-59	-63	-44	2	-99	-86
Libya	OR-HIC	-47	-2	-2	4	-12	14	12	-20		-42	-47
Syria	OP-MIC	18	3	0	1	-6	15	9	3	-7	5	56
Morocco	OP-MIC	-60	-2	9	0	6	20	9	29	-5	0	6
Egypt	OP-MIC	15	-1	6	-4	-4	51	42	-86	-15	51	-9
Jordan	OP-HIC	35	6	-30	-2	-2	1	-5	-81	-6	2	-215
Lebanon	OP-HIC	8	7	-3	2	-7	36	31	-20	10		
OPT	OP-HIC	7	23	-13	0	-4	-37	-39	6	-2	-358	2
Tunisia	OP-HIC	37	2	0	-1	-19	18	11	0	-2	51	12
OP-LIC		-118	4	8	-3	1	-84	-85	-35	30	-5	-44
OP-LIC		-88	29	5	9	8	-47	-51	9	42	-40	-33
ORMIC/ HIC		15	4	4	6	-1	-35	-41	-47	-3	-176	-27
OPMIC		-2	0	6	-2	-2	38	29	-45	-11	32	5
OP-UMIC		27	7	-10	-1	-11	9	3	-22	-1	-32	-46
AC		-19	8	4	2	0	-4	-11	-32	4	-38	-17

Source: Authors' estimates based on data from UNSD MDG dataset and national MDG Reports for Arab countries.

Notes: The table presents one way to succinctly summarize varying development priorities by constructing an MDG Achievement Indicator (MDGI) which measures (in percentage terms) the discrepancy between actual and targeted MDG performance for key MDG indicators other than poverty and employment. The MDGI simply compares between the observed or actual MDG values and the minimum required or targeted value for the country to be on track. A value of below unity implies the country is off-track and conversely, a positive value suggests the country is advancing at a more rapid pace than is required. A zero value implies the country is exactly on track to meet the MDG target. For example, in 1990 Algeria's under five infant mortality (per 1000 live births) stood at 64. In 2008 it was 41. To be exactly on target, Algeria needed to have achieved a reduction of approximately 50% (i.e. an infant mortality rate of 33) in that same year. Since its actual rate for 2008 was higher than the targeted by 24%, its MDGI for infant mortality under five is -24.

1: Prevalence of Under-weight children under five years of age, 2: Primary net enrollment ratio, 3: Literacy rate of 15-24 years old, both sexes, percentage, 4: Ratio of girls to boys in primary school (%), 5: Ratio of girls to boys in secondary school (%), 6: Under-five mortality rate (per 1,000 live birth), 7: Infant mortality rate (per 1,000 live birth), 8: Maternal mortality rate (per 100,000 live birth), 9: Births attended by skilled health personnel, 10: Proportion of population without access to water, 11: Proportion of population without access to sanitation

Table 2. Gross National Income (GNI) vs. Human Development Index (HDI), (Values and ranks), 2010

Country	Gross National Income per capita GNI (PPP US$ 2008)		Human Development Index (HDI)	
	Rank	Value	Rank	Value
Algeria	78	8320	84	0.677
Bahrain	31	26664	39	0.801
Comoros	152	1176	140	0.428
Djibouti	123	2471	147	0.402
Egypt	93	5889	101	0.620
Jordan	92	5956	82	0.681
Kuwait	5	55719	47	0.771
Libya	48	17068	53	0.775
Mauritania	131	2118	136	0.433
Morocco	104	4628	114	0.567
Qatar	2	79426	38	0.803
KSA	35	24726	55	0.752
Sudan	132	2051	154	0.379
Syria	102	4760	111	0.589
Tunisia	82	7979	81	0.683
UAE	4	58006	32	0.815
Yemen	124	2387	133	0.439

Source: Human Development Report, 2010.

Table 3. Ranking of Arab countries in terms of change in hybrid HDI in 1970–2010 and 1990-2010

HDI Rank	Country	Non- Income HDI rank	GDP Growth rank	HDI Rank	Non- Income HDI rank	GDP Growth rank
		1970-2010		1990-2010		
9	Algeria	5	100	30	19	98
34	Bahrain	21	104	94	93	67
122	Djibouti	117	133	100	109	130
17	Egypt	25	39	21	28	32
43	Jordan	26	87	51	53	44
5	KSA	3	111	18	2	108
68	Kuwait	48	131	61	59	50
94	Lebanon	89	92	29	54	8
13	Libya	4	132	41	18	114
10	Morocco	14	42	12	10	43
1	Oman	1	19	15	7	40
58	Qatar	73	121	104	104	58
67	Sudan	121	72	22	118	9
7	Tunisia	6	20	14	12	21
19	UAE	24	38	103	88	118

Source: ibid.

Table 4. Ranking of Arab countries in terms of change in HDI, 1980–2010

2010 Rank	Country	1980	1990	2000	2010	2010 Rank	Country	1980	1990	2000	2010
84	Algeria	0.443	0.537	0.602	0.677	114	Morocco	0.351	0.421	0.491	0.567
39	Bahrain	0.615	0.694	0.765	0.801	38	Qatar			0.764	0.803
140	Comoros				0.428	55	KSA	0.556	0.62	0.69	0.752
147	Djibouti				0.402	154	Sudan	0.25	0.282	0.336	0.379
101	Egypt	0.393	0.484	0.566	0.62	111	Syria	0.47	0.519		0.589
82	Jordan	0.509	0.564	0.621	0.681	81	Tunisia	0.436	0.526	0.613	0.683
47	Kuwait	0.675		0.763	0.771	32	UAE	0.627	0.693	0.756	0.815
53	Libya				0.755	133	Yemen			0.358	0.439
136	Mauritania		0.337	0.39	0.433						

Source: ibid.

Table 5. Human Poverty Index and its components, 1997, 2001 and 2007

Country	HPI Rank		Human Poverty Index		Real GDP per capita, PPP		People not expected to survive to age 40		Adult illiteracy rate		Population without access to improved water		Underweight children under age five	
	1997	2007	1997	2007	1997	2007	1997	2007	1997	2007	2001	2007	1997	2007
Algeria	48	43	27.8	17.5	4460	7740	9.1	6.4	39.7	24.6	6	15	13	4
Bahrain	10	18	9.8	8.0	16527	29723	4.7	2.9	13.8	11.2	0	0	9	9
Comoros	53	45	32.3	20.4	1530	1143	20.6	12.6	44.6	24.9	4	15	26	25
Djibouti	64	51	38.8	25.6	1266	2061	33.3	26.2	51.7	29.7	0	8	18	29
Egypt	54	48	33.0	23.4	3050	5349	10.3	7.2	47.3	33.6	5	2	15	6
Jordan	9	11	9.7	6.6	3450	4901	7.1	5.3	12.8	8.9	4	2	9	4
Kuwait	18	5	13.6	4.7	24314	47812	2.9	2.5	19.6	5.5	0	0	6	10
Lebanon	13	13	11.2	7.6	5940	10109	7.5	5.5	15.6	10.4	0	0	3	4
Libya	30	32	18.1	13.4	6697	14364	6.4	4	23.5	13.2	28	29	5	5
Mauritania	84	76	48.3	36.3	1730	1927	29.2	21.6	61.6	44.2	63	40	23	32
Morocco	62	61	37.8	31.1	3310	4108	11.8	6.6	54.1	44.4	18	17	9	10
Oman	55	36	33.2	14.8	9960	22816	6.4	3	32.9	15.6	61	18	23	18
Qatar	19	6	14.0	5.0	20987	74882	4.9	3	20	6.9	0	0	6	6
KSA	33	27	18.8	12.0	10120	22935	5.9	4.7	26.6	15	5	10	14	14
Sudan	61	68	36.6	34.0	1560	2086	27.1	23.9	46.7	39.1	25	30	34	41
Syria	36	31	21.1	12.6	3250	4511	8.5	3.9	28.4	16.9	20	11	13	10
Tunisia	41	37	23.6	15.6	5300	7520	7.8	4.1	33	22.3	20	6	9	4
UAE	27	15	17.6	7.7	19115	54626	3.1	2.3	25.2	10	0	0	14	14
Yemen	72	73	43.3	35.8	810	2335	21.8	15.6	57.5	41.1	31	34	39	46
Cambodia	78	52	45.0	27.8	1361	1802	24.4	18.5	31.8	23.7	70	35	52	36
China	25	16	16.8	7.8	3130	5383	7.9	6.2	17.1	6.7	25	12	16	7
Indonesia	38	40	21.5	17.0	3490	3712	12.8	6.7	15	8	24	20	34	28
Lao PDR	57	59	33.4	30.7	1300	2165	29.5	13.1	41.4	27.3	10	40	40	40
Malaysia	15	8	11.7	6.1	8140	13518	4.9	3.7	14.3	8.1	5	1	19	8
Mongolia	34	30	19.2	12.6	1310	3236	11.2	10.3	16	2.7	40	28	10	6
Myanmar	47	46	27.6	20.4	1199	904	18.1	19.1	16.4	10.1	32	20	43	32
Papua New	56	82	33.2	39.6	2654	2084	18.8	15.9	26.3	42.2	58	60	30	35
Philippines	22	29	14.7	12.5	3520	3406	9.2	5.7	5.4	6.6	13	7	28	28
Thailand	21	19	14.3	8.5	6690	8135	10.5	11.3	5.3	5.9	20	2	19	9
Viet Nam	51	28	29.7	12.3	1630	2600	11.6	5.8	8.1	9.7	44	8	41	25
Bolivia	28	26	17.8	11.7	2880	4206	18.4	13.9	16.4	9.3	21	14	16	8
Brazil	17	20	13.3	8.7	6480	9567	11.5	8.2	16	10	17	9	6	6
Chile	3	2	4.3	3.2	12730	13880	4.5	3.1	4.8	3.5	6	5	1	1
Colombia	8	14	9.3	7.6	6810	8587	10.1	8.3	9.1	7.3	9	7	8	7
Costa Rica	1	3	4.0	3.7	6650	10842	4	3.3	4.9	4.1	2	2	2	5
Cuba	4	4	5.5	4.6	3100	6876	4.5	2.6	4.1	0.2	5	9	9	4
Dominican	20	21	14.1	9.1	4820	6706	9	9.4	17.4	10.9	21	5	6	5
Ecuador	26	17	16.8	7.9	4940	7449	11.1	7.3	9.3	9.0	29	5	17	9
El Salvador	32	34	18.8	14.6	2880	5804	10.9	10.7	23.0	18.0	26	16	11	10
Guatemala	42	44	24.9	19.8	4100	4562	15.6	11.2	33.4	26.8	8	4	27	23
Honduras	37	33	21.4	13.7	2220	1155	11.5	18.5	29.3	16.4	10	16	18	22
Haiti	73	62	43.5	31.5	1270	3796	26.7	9.3	54.2	37.9	54	42	28	11
Jamaica	23	25	15.2	10.9	3440	6079	5.1	9.9	14.5	14.0	29	7	10	4
Mexico	14	7	11.3	5.9	8370	14104	8.3	5	9.9	7.2	14	5	14	5
Nicaragua	44	41	26.4	17.0	1997	2570	12.4	7.9	36.6	22.0	21	21	12	10
Panama	7	12	8.7	6.7	7168	11391	6.4	5.9	8.9	6.6	13	8	7	7
Paraguay	11	24	10.1	10.6	3980	4433	8.7	8.7	7.6	5.4	21	23	4	5
Peru	12	23	10.5	10.3	4680	7836	11.6	7.4	11.3	10.4	8	16	8	8

Country	HPI Rank		Human Poverty Index		Real GDP per capita, PPP		People not expected to survive to age 40		Adult illiteracy rate		Population without access to improved water		Underweight children under age five	
	1997	2007	1997	2007	1997	2007	1997	2007	1997	2007	2001	2007	1997	2007
Trinidad and Tobago	5	9	7.4	6.5	6840	23507	4.1	8.4	2.2	1.3	14	6	7	6
Nepal	80	63	45.6	32.1	1090	1049	22.5	11	61.9	43.5	19	11	47	39
Pakistan	69	65	42.2	33.4	1560	2496	14.7	12.6	59.1	45.8	12	10	38	38
Sri Lanka	29	39	18.0	16.7	2490	4243	5.3	5.5	9.3	9.2	17	18	34	29
Benin	85	85	48.8	43.2	1270	1312	29	19.2	66.1	59.5	37	35	29	23
Botswana	46	47	27.3	22.9	7690	13604	35	31.2	25.6	17.1	5	4	17	13
Burkina Faso	92	90	60.1	51.8	1010	1124	40.5	26.9	79.3	71.3	58	28	30	37
Burundi	79	78	45.2	36.4	630	341	43.2	33.7	55.4	40.7	22	29	37	39
Cameroon	45	60	27.2	30.8	1890	2128	27.2	34.2	28.3	32.1	38	30	14	19
Cape Verde	39	35	22.4	14.6	2990	3041	10.4	6.4	29.0	16.2	26	20	14	14
Central	81	84	46.1	42.4	1330	713	40.4	39.6	57.6	51.4	40	34	27	29
Chad	86	91	48.9	53.2	970	1477	37.4	35.7	49.7	68.2	73	52	39	37
Congo	49	49	29.7	24.3	1620	3511	34.9	29.7	2.3	18.9	49	29	17	14
Congo	67	81	40.0	37.9	801	298	34.7	37.3	39.7	32.8	55	54	34	31
Côte d'Ivoire	74	80	43.9	37.4	1840	1690	37.3	24.6	57.4	51.3	23	19	24	20
Eritrea	75	67	44.0	33.8	820	626	31.7	18.2	47.3	35.8	54	40	44	40
Ethiopia	91	89	57.9	50.9	510	779	42.3	27.7	64.6	64.1	76	58	48	38
Ghana	50	54	29.7	28.1	1640	1334	21.1	25.8	33.6	35.0	36	20	27	18
Guinea	87	88	49.1	50.5	1880	1140	38.3	23.7	62.1	70.5	52	30	26	26
Guinea-Bissau	89	70	51.5	34.8	861	477	40.6	37.4	66.4	35.4	51	43	23	19
Kenya	52	57	30.6	29.6	1190	1542	29.8	30.3	20.7	26.4	51	43	23	20
Lesotho	35	69	19.8	34.3	1860	1541	25.1	47.4	17.7	17.8	9	22	16	20
Madagascar	65	74	38.9	36.1	799	932	31.6	20.8	39.7	29.3	53	53	34	42
Malawi	70	55	42.7	28.2	710	761	47.8	32.6	42.3	28.2	43	24	30	19
Mali	88	92	49.3	54.5	740	1083	33.6	32.5	64.5	73.8	35	40	40	33
Mauritius	16	22	12.3	9.6	9310	11296	4.9	5.8	17.0	12.6	0	0	16	15
Mozambique	82	86	47.0	46.8	740	802	39.8	40.6	59.5	55.6	40	58	27	24
Namibia	43	42	25.5	17.1	5040	5155	30	21.2	20.2	12.0	23	7	26	24
Niger	93	93	63.0	55.7	850	627	35.7	29	85.7	71.3	41	58	43	44
Nigeria	63	77	38.1	36.3	920	1969	33.4	37.4	40.5	28.0	43	53	36	29
Rwanda	76	64	44.2	33.0	885	866	51.9	34.2	34.2	35.1	59	35	27	23
Senegal	83	83	47.1	41.6	1730	1666	28.5	22.4	65.4	58.1	22	23	22	17
Sierra Leone	90	87	57.1	47.6	410	679	51	31	66.7	61.9	72	47	29	30
South Africa	31	50	18.3	25.5	7380	9757	23.4	36.1	16.0	12.0	14	7	9	12
Swaziland	40	71	22.5	35.1	3350	4789	20.8	47.2	22.5	20.4	38	40	10	10
Tanzania	58	58	33.8	30.0	580	1208	35.5	28.2	28.4	27.7	46	45	27	22
Togo	66	79	39.0	36.6	1490	788	34.5	18.6	46.8	46.8	46	41	19	26
Uganda	68	56	41.1	28.8	1160	1059	47.4	31.4	36.0	26.4	50	36	26	20
Zambia	60	72	36.5	35.5	960	1358	46.9	42.9	24.9	29.4	36	42	24	20
Mashreq	2	2	28.9	19.9	3221	5347	9.72	6.47	41.1	28.6	7	3	13.9	6.5
LDCs	4	4	39.2	34.5	1327	2152	25.53	21.09	50.8	39.7	28	31	34.8	41.9
Maghreb	3	3	30.4	22.1	4285	6833	9.78	6.01	43.2	31.1	14	16	10.4	6.4
GCC	1	1	19.2	10.8	12375	30433	5.4	4.09	26.1	13.6	9	9	13.9	13.8
AC	3	3	30.5	22.8	4169	8073	12.7	9.34	42.1	29.9	14.0	13.8	17.4	15.5
EAP	2	2	18.3	9.9	3230	5010	9.28	6.85	15.8	7.4	25.6	12.7	21	12.5
LAC	1	1	12.8	8.7	6594	9823	10.28	7.5	13.9	9.6	15.4	9.1	9.4	6.7
SAS	4	4	37.4	29.4	1596	2555	16.48	14.55	49.0	36.5	11.3	11.9	51.4	45
SSA	5	5	40.4	35.9	1477	2023	35.72	32.76	42.4	35.2	46.2	40.5	30.5	25.5
DR			27.0	20.0	2918	4563	15.28	12.85	30.5	21.6	22.4	15.8	29.9	23.8

Source: Consolidated from several successive editions of HDR

Table 6. National poverty lines, poverty lines based on re-ranking of share of PL to PCE and regression poverty lines, 1990-2000 and 2000-2009

Country Name	YR	Base Year				YR	Latest Year			
		PCE mean$	NPL per day	RPL per day	RPL/ PCE		PCE mean$	NPL per day	RPL per day	RPL/ PCE
Azerbaijan	**1995**	87.2	3.1	1.6	0.6	**2008**	158.3	2.5	2.6	0.5
Bangladesh	**1996**	48.9	1.3	1.1	0.7	**2005**	48.3	1.1	1.1	0.7
Belarus	**2000**	206.4	5.2	3.3	0.5	**2008**	428.5	5.9	4.1	0.3
Bolivia	**1997**	203.0	5.2	3.3	0.5	**2007**	226.2	5.3	3.6	0.5
Brazil	**1998**	277.3	2.9	4.2	0.5	**2009**	373.7	3.3	4.5	0.4
Bulgaria	**1997**	155.3	3.8	2.6	0.5	**2001**	207.0	2.6	3.3	0.5
Burkina Faso	**1998**	41.7	0.8	1.1	0.8	**2003**	46.9	1.1	1.1	0.7
Burundi	**1998**	24.3	1.1	0.9	1.1	**2006**	29.0	0.9	1.0	1.0
Cambodia	**1994**	53.5	1.2	1.2	0.7	**2007**	83.5	1.3	1.5	0.6
Cameroon	**1996**	57.9	1.3	1.2	0.7	**2001**	77.3	1.4	1.5	0.6
Chile	**1996**	387.4	3.6	4.4	0.3	**2009**	494.7	4.3	3.3	0.2
China	**1996**	60.2	0.7	1.3	0.6	**2005**	107.9	0.7	1.9	0.5
China-R	**1996**	47.9	0.6	1.1	0.7	**2005**	71.3	0.7	1.4	0.6
China-U	**1996**	86.0	0.9	1.6	0.6	**2005**	161.8	0.7	2.6	0.5
Colombia	**1995**	220.2	5.0	3.5	0.5	**2006**	220.9	3.9	3.5	0.5
Costa Rica	**1992**	203.8	3.2	3.3	0.5	**2009**	395.3	4.0	4.4	0.3
Djibouti	**1996**	150.5	3.1	2.5	0.5	**2002**	93.5	2.0	1.7	0.5
Dominican Republic	**2000**	303.7	4.7	4.4	0.4	**2007**	240.2	5.0	3.8	0.5
Ecuador	**1994**	169.4	2.7	2.8	0.5	**2009**	247.6	3.9	3.9	0.5
Egypt	**1991**	100.9	1.9	1.8	0.5	**2009**	121.1	2.4	2.0	0.5
El Salvador	**1995**	171.0	3.5	2.8	0.5	**2008**	215.6	3.9	3.4	0.5
Ethiopia	**1995**	45.4	1.0	1.1	0.7	**2000**	42.7	1.1	1.1	0.8
Ghana	**1998**	62.7	1.3	1.3	0.6	**2006**	77.7	1.2	1.5	0.6
Guyana	**1993**	209.4	3.8	3.4	0.5	**1998**	180.1	3.2	2.9	0.5
Honduras	**1999**	175.8	5.3	2.9	0.5	**2007**	168.9	4.1	2.8	0.5
India	**1994**	46.7	1.1	1.1	0.7	**2005**	53.5	1.1	1.2	0.7
India-R	**1994**	43.8	1.1	1.1	0.8	**2005**	49.9	1.1	1.2	0.7
India-U	**1994**	54.9	1.1	1.2	0.7	**2005**	62.4	1.0	1.3	0.6
Indonesia	**1996**	51.6	0.9	1.2	0.7	**2009**	76.6	1.1	1.5	0.6
Indonesia-R	**1996**	46.1	0.9	1.1	0.7	**2009**	68.4	1.2	1.4	0.6
Indonesia-U	**1996**	61.0	0.8	1.3	0.6	**2009**	84.0	1.1	1.6	0.6
Jamaica	**1996**	192.4	3.1	3.1	0.5	**2004**	274.3	2.9	4.1	0.5
Jordan	**1997**	151.6	2.5	2.5	0.5	**2006**	210.1	2.8	3.4	0.5
Kazakhstan	**1996**	136.9	2.8	2.3	0.5	**2002**	124.1	1.7	2.1	0.5
Kenya	**1994**	77.6	1.6	1.5	0.6	**2005**	112.4	2.3	1.9	0.5
Lao PDR	**1992**	43.3	1.1	1.1	0.8	**2008**	62.9	1.1	1.3	0.6
Madagascar	**1997**	33.5	1.3	1.0	0.9	**2005**	44.8	1.3	1.1	0.7
Malawi	**1998**	29.5	0.8	1.0	1.0	**2004**	34.1	0.9	1.0	0.9
Mauritania	**1996**	78.7	2.1	1.5	0.6	**2000**	88.3	2.1	1.6	0.6
Mexico	**1992**	256.3	5.5	4.0	0.5	**2008**	337.2	6.5	4.5	0.4
Mongolia	**1995**	80.5	1.8	1.5	0.6	**2002**	86.0	2.8	1.6	0.6
Morocco	**1991**	155.4	1.9	2.6	0.5	**2007**	161.4	1.7	2.6	0.5
Mozambique	**1997**	29.4	1.0	1.0	1.0	**2008**	46.5	1.1	1.1	0.7
Nepal	**1996**	38.3	0.8	1.0	0.8	**2004**	56.2	0.8	1.2	0.7
Nicaragua	**1998**	132.8	2.5	2.2	0.5	**2005**	151.2	2.8	2.5	0.5
Pakistan	**1999**	62.0	1.3	1.3	0.6	**2005**	65.8	1.3	1.3	0.6

Country Name	YR	Base Year				YR	Latest Year			
		PCE mean$	NPL per day	RPL per day	RPL/ PCE		PCE mean$	NPL per day	RPL per day	RPL/ PCE
Panama	**1997**	269.7	4.4	4.1	0.5	**2009**	367.9	4.8	4.5	0.4
Peru	**2001**	178.6	4.0	2.9	0.5	**2009**	248.7	3.9	3.9	0.5
Philippines	**1994**	83.5	1.6	1.5	0.6	**2006**	99.0	1.4	1.7	0.5
Romania	**1994**	99.2	1.9	1.7	0.5	**2005**	189.7	3.1	3.1	0.5
Russian Federation	**1999**	188.0	3.5	3.0	0.5	**2005**	301.0	3.5	4.4	0.4
Sri Lanka	**1991**	76.3	1.5	1.5	0.6	**2007**	119.0	1.5	2.0	0.5
Syria	**1997**	129.8	2.0	2.2	0.5	**2007**	125.5	2.0	2.1	0.5
Tajikistan	**1999**	48.3	2.9	1.1	0.7	**2003**	56.0	2.1	1.2	0.7
Tunisia	**1990**	151.3	1.3	2.5	0.5	**2000**	182.4	1.4	3.0	0.5
Turkey	**1994**	203.8	3.3	3.3	0.5	**2005**	234.6	3.0	3.7	0.5
Uganda	**1992**	37.9	1.0	1.0	0.8	**2006**	52.7	0.9	1.2	0.7
Ukraine	**1999**	121.9	2.7	2.1	0.5	**2005**	250.2	3.6	3.9	0.5
Venezuela RB	**1989**	255.8	4.1	4.0	0.5	**2006**	238.5	4.4	3.7	0.5
Vietnam	**1998**	49.8	1.1	1.2	0.7	**2008**	97.2	1.3	1.7	0.5
Yemen Rep	**1998**	90.3	2.0	1.6	0.5	**2005**	84.0	2.0	1.6	0.6
Zambia	**1998**	55.5	1.6	1.2	0.7	**2004**	43.1	1.1	1.1	0.8
LDCs		*90.9*	*2.0*	*1.6*	*0.5*		*84.8*	*2.0*	*1.6*	*0.6*
Maghreb		*154.4*	*1.7*	*2.5*	*0.5*		*166.3*	*1.7*	*2.7*	*0.5*
Mashreq		*109.4*	*1.9*	*1.9*	*0.5*		*126.5*	*2.3*	*2.1*	*0.5*
AC		*117.9*	*1.9*	*2.0*	*0.5*		*130.0*	*2.1*	*2.2*	*0.5*
EAP		*59.6*	*0.8*	*1.3*	*0.6*		*102.4*	*0.8*	*1.8*	*0.5*
ECA		*167.0*	*3.2*	*2.7*	*0.5*		*257.2*	*3.3*	*3.8*	*0.5*
LAC		*254.3*	*3.9*	*3.9*	*0.5*		*323.2*	*4.3*	*4.2*	*0.4*
SAS		*48.9*	*1.1*	*1.2*	*0.7*		*55.2*	*1.1*	*1.2*	*0.7*
SSA		*48.0*	*1.2*	*1.1*	*0.7*		*58.8*	*1.3*	*1.3*	*0.7*
DRs		*87.1*	*1.5*	*1.6*	*0.6*		*121.1*	*1.5*	*2.0*	*0.5*

Source: Authors' estimates based on data from POVCAL and National Reports
Note: This table shows National poverty line per day (NPL per day) that is the actual national poverty line reported by the country in concern versus UNDP line which is the resulted poverty line from the cross country regression of national poverty lines on private consumption expenditure (PCE) (RPL per day) (for further details, Abu-Ismail, Ramadan and Gihan Abou Taleb, 2010).

Table 7. Poverty rates according to international poverty lines ($1, $2, $2.75), national and regression-based poverty lines, 1990-2000 and 2000-2009

Country/ Region	YR	Base Year					YR	Latest Year				
		$1.25 PR	$2 PR	$2.75 PR	NPR	RPR		$1.25 PR	$2 PR	$2.75 PR	NPR	RPR
Djibouti	**1996**	4.8	15.1	28.5	34.5	23.5	**2002**	18.8	41.2	59.8	42.0	31.8
Mauritania	**1996**	23.4	48.3	67.7	50.5	31.2	**2000**	21.2	44.1	62.1	46.3	32.4
Yemen Rep	**1998**	13.6	43.0	65.0	40.1	33.1	**2005**	10.0	37.8	57.0	34.8	27.4
Morocco	**1991**	2.4	15.9	31.3	13.1	27.2	**2007**	2.5	13.9	29.6	9.0	27.3
Tunisia	**1990**	5.9	19.0	33.0	6.7	28.2	**2000**	2.5	12.8	25.2	4.2	28.5
Egypt	**1991**	4.5	27.6	51.7	24.1	19.9	**2009**	3.4	18.5	43.7	21.6	18.6
Jordan	**1997**	2.5	11.5	27.7	21.3	21.9	**2006**	0.4	3.5	12.6	13.0	22.3
Syria	**1997**	7.9	14.3	33.2	14.3	15.4	**2007**	0.3	12.3	33.6	12.3	12.9
China-Rural	**1996**	49.5	79.6	90.5	7.9	42.3	**2005**	26.1	55.6	75.0	2.5	31.9
China-Urban	**1996**	8.9	34.5	59.9	2.0	19.4	**2005**	1.7	9.4	22.4	0.3	20.5
Indonesia-R	**1996**	46.7	82.6	93.1	19.8	36.7	**2009**	18.9	54.9	77.9	17.4	24.5
Indonesia-U	**1996**	37.6	67.4	82.4	13.6	38.9	**2009**	18.7	46.6	66.9	10.7	30.5
Cambodia	**1994**	48.5	77.8	88.8	47.0	45.2	**2007**	28.3	56.5	72.6	30.1	41.0
Lao PDR	**1992**	55.7	84.8	93.9	45.0	44.1	**2008**	33.9	66.0	82.2	27.6	36.4
Mongolia	**1995**	18.8	43.5	64.2	36.3	27.0	**2002**	15.5	38.9	59.9	61.1	25.4
Philippines	**1994**	28.1	52.6	68.5	40.6	38.7	**2006**	22.6	45.0	60.7	26.4	38.1
Vietnam	**1998**	49.6	78.2	89.2	37.4	44.0	**2008**	13.1	38.4	58.7	14.5	29.2
China	**1996**	36.4	65.1	80.6	6.0	34.9	**2005**	16.2	36.9	53.8	2.8	27.3
Indonesia	**1996**	43.4	77.0	89.1	17.6	37.5	**2009**	18.7	50.5	72.2	14.2	27.7
Azerbaijan	**1995**	15.5	39.4	60.1	68.1	26.2	**2008**	1.0	7.7	21.7	15.8	18.4
Belarus	**2000**	0.3	1.9	7.4	41.9	14.2	**2008**	0.0	0.0	0.4	6.1	1.3
Bulgaria	**1997**	0.3	2.3	11.6	36.0	8.1	**2001**	2.6	7.8	14.1	12.8	19.8
Kazakhstan	**1996**	5.0	18.8	33.3	34.6	23.9	**2002**	5.1	21.5	38.5	15.4	23.6
Romania	**1994**	5.0	23.2	46.5	21.5	15.7	**2005**	0.7	3.4	10.8	15.1	15.1
Russian Federation	**1999**	2.3	10.5	21.1	31.4	24.9	**2005**	0.2	1.5	5.9	11.9	20.2
Tajikistan	**1999**	44.5	78.5	90.9	92.3	37.0	**2003**	36.2	68.8	84.8	72.4	34.7
Turkey	**1994**	2.1	9.8	20.6	28.3	28.2	**2005**	2.7	9.0	17.7	20.5	29.2
Ukraine	**1999**	2.0	13.5	32.2	31.5	14.7	**2005**	0.1	0.5	2.2	7.9	10.7
Bolivia	**1997**	18.9	29.9	39.9	63.2	45.8	**2007**	13.9	24.7	35.3	60.1	45.0
Brazil	**1998**	11.0	22.5	32.2	34.0	46.6	**2009**	3.8	9.9	16.4	21.4	30.6
Chile	**1996**	0.4	7.8	15.4	23.2	30.8	**2009**	0.8	2.4	5.5	15.1	8.1
Colombia	**1995**	11.2	23.3	34.7	60.0	44.9	**2006**	16.0	27.9	38.0	50.3	46.7
Costa Rica	**1992**	8.4	17.8	27.6	33.1	34.1	**2009**	0.6	5.4	11.6	21.7	24.5
Dominican Republic	**2000**	4.4	12.4	20.4	39.5	36.2	**2007**	4.3	13.6	23.3	48.8	35.5
Ecuador	**1994**	15.9	28.2	39.5	39.3	39.6	**2009**	5.1	13.4	22.4	36.0	35.3
El Salvador	**1995**	12.7	25.2	37.1	47.5	37.5	**2008**	5.1	15.2	25.4	39.9	34.4
Guyana	**1993**	5.8	15.0	27.9	43.2	36.5	**1998**	7.7	16.8	27.8	35.0	30.6
Honduras	**1999**	14.4	26.8	38.2	65.9	39.7	**2007**	23.3	35.4	45.7	60.2	45.7
Jamaica	**1996**	1.7	8.6	20.3	26.1	26.2	**2004**	0.2	5.9	14.8	16.9	31.1
Mexico	**1992**	4.5	14.6	24.2	53.1	38.2	**2008**	3.4	8.1	14.4	47.4	31.1
Nicaragua	**1998**	21.8	38.5	52.2	47.9	42.7	**2005**	15.8	31.9	45.7	46.2	41.1
Panama	**1997**	7.2	15.2	21.9	37.3	34.6	**2009**	2.4	9.5	16.3	32.7	30.4
Peru	**2001**	15.1	27.9	39.4	54.8	41.4	**2009**	5.9	14.7	22.8	34.8	34.6
Venezuela RB	**1989**	2.9	9.2	17.1	31.3	30.0	**2006**	3.5	10.1	18.5	36.3	29.6
India-Rural	**1994**	52.5	85.1	94.5	37.3	40.5	**2005**	43.8	79.5	91.6	28.3	36.9
India-Urban	**1994**	40.8	72.1	86.1	32.4	38.5	**2005**	36.2	65.8	81.3	25.7	38.2

Country/ Region	YR	Base Year					YR	Latest Year				
		$1.25 PR	$2 PR	$2.75 PR	NPR	RPR		$1.25 PR	$2 PR	$2.75 PR	NPR	RPR
Bangladesh	**1996**	49.6	79.5	90.2	50.1	42.9	**2005**	50.5	80.3	90.7	40.0	43.2
Nepal	**1996**	68.4	88.1	94.2	41.8	56.8	**2004**	55.1	77.6	87.3	30.9	53.9
Pakistan	**1999**	29.1	66.5	84.7	30.6	31.4	**2005**	22.6	60.3	81.3	23.9	27.2
Sri Lanka	**1991**	15.0	49.5	72.7	26.1	24.7	**2007**	7.0	29.1	48.8	15.2	29.6
India	**1994**	49.4	81.7	92.2	36.0	40.0	**2005**	41.6	75.6	88.6	27.6	37.3
Burkina Faso	**1998**	70.0	87.6	93.8	45.3	61.9	**2003**	56.5	81.2	90.5	46.4	49.7
Burundi	**1998**	86.4	95.4	97.8	81.0	73.5	**2006**	81.3	93.5	96.9	66.9	72.6
Cameroon	**1996**	51.5	74.5	85.2	53.3	51.1	**2001**	32.8	57.7	73.1	40.2	41.0
Ethiopia	**1995**	60.5	84.6	92.8	45.5	52.3	**2000**	55.6	86.4	94.5	44.2	43.1
Ghana	**1998**	39.1	63.3	77.8	39.5	40.9	**2006**	30.0	53.6	70.4	28.5	37.4
Kenya	**1994**	28.6	53.7	70.9	40.3	36.3	**2005**	19.7	39.9	55.9	45.9	38.0
Madagascar	**1997**	72.0	89.4	94.9	73.3	59.2	**2005**	67.8	89.6	96.4	68.7	59.7
Malawi	**1998**	83.1	93.5	96.8	65.3	73.5	**2004**	73.9	90.5	95.3	52.4	61.4
Mozambique	**1997**	81.3	92.9	96.4	69.4	69.5	**2008**	60.0	81.6	90.6	54.7	53.4
Uganda	**1992**	70.0	88.6	94.5	56.4	59.0	**2006**	51.5	75.6	86.5	31.1	48.5
Zambia	**1998**	55.4	74.8	84.6	66.8	54.5	**2004**	64.3	81.5	89.3	58.4	58.2
LDCs		*14.5*	*42.7*	*64.2*	*41.1*	*32.6*		*11.5*	*38.6*	*57.6*	*36.3*	*28.0*
Maghreb		*3.3*	*16.7*	*31.7*	*11.5*	*27.5*		*2.5*	*13.7*	*28.6*	*7.9*	*27.6*
Mashreq		*5.0*	*24.1*	*46.8*	*22.0*	*19.2*		*2.7*	*16.6*	*40.3*	*19.4*	*17.7*
AC		*6.0*	*25.1*	*45.6*	*22.3*	*23.3*		*3.9*	*19.0*	*40.0*	*19.1*	*21.5*
EAP		*37.6*	*66.8*	*81.6*	*10.9*	*36.0*		*16.9*	*39.5*	*57.1*	*5.6*	*28.1*
Eastern Europe and CIS		*3.5*	*13.6*	*26.6*	*32.8*	*22.8*		*1.7*	*5.6*	*11.7*	*14.7*	*20.3*
LAC		*9.4*	*20.3*	*30.2*	*42.9*	*42.0*		*5.5*	*12.3*	*19.6*	*34.1*	*32.4*
SAS		*47.0*	*79.5*	*90.9*	*36.9*	*39.4*		*40.3*	*73.9*	*87.5*	*28.4*	*37.0*
SSA		*59.4*	*79.8*	*88.7*	*52.9*	*54.0*		*49.8*	*73.6*	*84.1*	*45.8*	*47.3*
DRs		*34.8*	*60.7*	*73.7*	*26.9*	*37.1*		*23.6*	*46.4*	*60.5*	*19.7*	*31.8*

Source: ibid.
Note: NPR refers to poverty rate according to national poverty line and RPR refers to poverty rate according to UNDP regression-estimated poverty line.

Table 8. Average annual changes for Gini coefficient, Private Consumption Expenditure (PCE) and Household Consumption Expenditure (HCE), 2000s

Country/ Region	Annual Change Poverty Rate	Annual Change Gini	Annual Change PCE	Annual Change HCE	Country/ Region	Annual Change Poverty Rate	Annual Change Gini	Annual Change PCE	Annual Change HCE
Djibouti	3.3%	1.4%	-7.6%	4.7%	Morocco	-2.3%	0.3%	0.2%	1.2%
Egypt	-0.6%	-0.3%	1.0%	2.0%	Syria	-1.5%	-0.6%	-0.3%	0.6%
Jordan	-5.3%	0.4%	3.7%	3.5%	Tunisia	-4.6%	0.1%	1.9%	2.7%
Mauritania	-2.2%	1.2%	2.9%	-0.4%	Yemen Rep	-2.0%	1.7%	-1.0%	-2.2%
China-Rural	-12.0%	0.7%	4.5%	0.0%	Guyana	-4.1%	-2.9%	-3.0%	5.0%
China-Urban	-19.0%	2.0%	7.3%	0.0%	Honduras	-1.1%	1.4%	-0.5%	3.5%
Indonesia-Rural	-1.0%	0.5%	3.1%	0.0%	Jamaica	-5.3%	1.5%	4.5%	0.2%
Indonesia-Urban	-1.8%	-0.1%	2.5%	0.0%	Mexico	-0.7%	0.1%	1.7%	1.4%
Cambodia	-3.4%	1.1%	3.5%	4.8%	Nicaragua	-0.5%	-0.4%	1.9%	2.4%
Lao PDR	-3.0%	1.2%	2.4%	3.3%	Panama	-1.1%	0.6%	2.6%	4.9%
Mongolia	7.7%	-0.2%	0.9%	-1.7%	Peru	-5.5%	-1.2%	4.2%	4.1%
Philippines	-3.5%	0.2%	1.4%	2.1%	Venezuela RB	0.9%	-0.1%	-0.4%	0.2%
Vietnam	-9.0%	0.6%	6.9%	5.2%	India-Rural	-2.5%	0.6%	1.2%	0.0%
China	-8.1%	1.2%	6.7%	6.0%	India-Urban	-2.1%	0.8%	1.2%	0.0%
Indonesia	-1.6%	0.5%	3.1%	2.4%	Bangladesh	-2.5%	-0.1%	-0.1%	1.7%
Azerbaijan	-10.6%	-0.3%	4.7%	9.3%	Nepal	-3.7%	2.9%	4.9%	1.9%
Belarus	-21.4%	-1.4%	9.6%	11.6%	Pakistan	-4.0%	-1.0%	1.0%	1.2%
Bulgaria	-22.8%	6.8%	7.4%	7.3%	Sri Lanka	-3.3%	1.4%	2.8%	4.9%
Kazakhstan	-12.6%	-0.2%	-1.6%	3.2%	India	-2.4%	0.7%	1.3%	3.9%
Romania	-3.2%	1.0%	6.1%	5.0%	Burkina Faso	0.5%	-3.3%	2.4%	2.8%
Russian Federation	-14.9%	0.0%	8.2%	8.0%	Burundi	-2.4%	-3.0%	2.2%	-0.6%
Tajikistan	-5.9%	0.9%	3.8%	15.4%	Cameroon	-5.5%	-1.0%	6.0%	2.1%
Turkey	-2.9%	0.4%	1.3%	2.8%	Ethiopia	-0.6%	-5.6%	-1.2%	-2.0%
Ukraine	-20.6%	-0.4%	12.7%	8.3%	Ghana	-4.0%	0.6%	2.7%	3.1%
Colombia	-1.6%	0.2%	0.0%	0.6%	Kenya	1.2%	1.1%	3.4%	0.5%
Costa Rica	-2.5%	0.4%	4.0%	2.1%	Madagascar	-0.8%	2.4%	3.7%	0.3%
Dominican Republic	3.1%	-1.0%	-3.3%	4.4%	Malawi	-3.6%	-4.2%	2.5%	1.0%
Ecuador	-0.6%	-0.4%	2.6%	2.4%	Mozambique	-2.1%	0.2%	4.3%	4.9%
Bolivia	-0.5%	-0.2%	1.1%	1.1%	Uganda	-4.2%	0.0%	2.4%	4.5%
Brazil	-4.1%	-0.9%	2.8%	1.4%	Zambia	-2.2%	-0.9%	-4.1%	8.5%
Chile	-3.3%	-0.4%	1.9%	2.5%	EAP	-49.1%	9.9%	71.9%	60.7%
El Salvador	-1.3%	-0.5%	1.8%	2.6%	ECA	-55.2%	-0.1%	54.0%	57.0%
LDCs	-11.9%	11.5%	-6.7%	-12.0%	LAC	-20.4%	-4.9%	27.1%	21.8%
Maghreb	-31.8%	3.6%	7.7%	23.1%	SAS	-23.1%	6.2%	13.0%	42.2%
Mashreq	-11.9%	-5.2%	15.6%	36.2%	SSA	-13.5%	-1.8%	22.6%	17.0%
AC	-14.5%	-1.4%	10.2%	30.5%	DR	-26.9%	0.3%	39.0%	40.7%

Source: ibid.

Table 9. Distribution of Arab countries versus rest of the world according to volatility (measured by standard deviation) and Average annual real per capita GDP rates of growth for the periods 1970-75, 1976-80, 1986-90, 1991-95, 1996-00, 2001-05, 2006-09 and 1970-09

Country/ Region	1970-75		1976-80		1981-85		1986-90		1991-95		1996-00		2001-05		2006-09		1970-09	
	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV
Algeria	1.7	11.8	3.4	4.0	1.8	1.3	-1.9	2.5	-1.4	2.7	1.1	2.2	3.2	2.0	-1.5	4.9	0.9	4.9
Bahrain	0.8	8.8	0.7	11.0	-6.2	9.8	0.7	3.3	2.0	3.1	1.8	1.2	4.4	4.9	4.5	5.7	1.1	7.1
Comoros	2.0	2.0	1.8	3.4	1.2	1.3	-1.6	1.6	-1.3	3.7	-0.1	2.0	0.4	1.8	-1.4	0.3	0.0	2.4
Djibouti	-2.1	5.5	-10.5	8.7	-2.7	1.8	-5.1	4.7	1.7	5.5	-1.5	3.0	1.1	0.9	3.7	0.8	-2.3	5.4
Egypt	2.0	3.9	5.0	3.4	5.4	4.8	2.5	1.5	2.5	1.0	3.0	0.8	2.9	1.5	1.1	6.2	3.6	3.4
Jordan	-4.2	3.8	10.3	4.7	-2.2	7.5	-5.7	6.8	1.7	4.8	1.0	1.1	4.6	2.6	1.3	3.3	1.2	6.3
KSA	14.3	12.5	-0.4	5.1	-11.5	5.9	-1.8	5.1	-1.0	4.0	-0.7	2.3	2.7	3.9	-0.1	2.8	0.6	8.4
Kuwait	-10.3	8.5	-7.0	11.5	-5.0	11.0	-2.1	13.7	28.6	38.9	-4.9	4.3	6.3	7.6	0.2	3.4	-2.3	17.0
Lebanon	-3.6	16.3	19.2	51.4	8.2	30.3	-12.8	27.8	3.4	13.4	-1.4	4.7	2.1	4.1	7.5	4.3	0.2	23.3
Libya	2.0	11.2	-0.1	9.3	-3.6	9.4	-1.4	11.2	-2.0	7.0	-1.3	2.6	4.3	5.2	0.0	3.7	-0.4	8.2
Morocco	2.3	2.7	1.9	4.2	2.0	3.7	1.6	5.8	-2.2	7.6	0.9	5.6	3.5	1.2	-0.7	6.3	1.9	4.7
Oman	4.6	18.2	5.7	6.8	8.1	3.6	-0.5	3.6	3.0	2.5	2.1	5.3	0.8	1.5	5.2	2.7	3.5	7.6
Qatar	0.7	2.4	-3.7	4.4	-10.5	7.3	-1.2	4.1	1.0	3.5	8.9	9.3	0.6	6.6	7.3	6.2	0.0	7.3
Sudan	2.2	9.4	-3.1	6.7	-9.3	12.1	1.9	4.9	4.2	5.5	4.5	3.2	3.6	3.1	5.0	2.5	1.7	7.2
Syria	9.8	13.1	1.0	5.0	-3.7	9.5	-3.1	8.8	5.0	2.3	-0.1	5.3	1.9	3.4	1.8	1.8	2.2	7.6
Tunisia	6.2	6.3	2.3	1.8	1.7	4.9	3.4	6.8	3.0	3.4	3.8	0.3	2.9	3.4	3.1	2.1	3.2	4.2
UAE	-4.7	2.3	1.9	11.4	-8.7	5.2	2.4	13.7	-0.7	4.1	0.8	4.0	6.2	7.7	1.2	5.3	-1.2	8.0
AC	3.1	8.4	2.5	8.7	-0.3	7.8	0.4	6.2	1.6	5.7	1.9	3.2	3.1	2.9	1.3	4.8	2.0	6.6
EAP	3.5	2.6	6.3	4.3	8.0	3.4	5.2	3.4	9.7	2.0	5.3	2.3	7.9	1.2	8.2	2.3	6.3	3.8
ECA	5.6	1.4	1.2	3.5	2.8	1.7	1.3	4.4	1.8	6.7	1.1	4.8	6.0	4.6	0.1	5.4	2.4	4.7
LAC	4.2	2.9	3.0	2.9	-1.1	4.5	-0.5	4.0	1.5	3.4	1.2	2.3	2.0	2.9	1.8	3.5	1.6	4.1
SAS	0.0	4.0	1.3	4.4	2.6	1.6	3.8	2.0	3.7	2.9	3.0	1.4	5.4	2.7	5.3	1.9	2.9	3.3
SSA	1.2	4.3	-1.2	4.8	-1.6	4.3	-0.1	4.7	-2.1	3.6	0.2	2.7	4.0	5.0	2.6	2.0	0.2	5.3
DR	2.4	3.5	3.5	4.4	4.0	3.2	3.4	3.3	5.4	2.9	3.4	2.2	5.9	2.4	5.6	2.5	3.9	4.0

Source: Authors' estimates based on data from National Account, UNSD

Table 10. Distribution of Arab countries versus rest of the world according to volatility (measured by standard deviation) and average annual growth rate in agriculture sector for the periods 1970-75, 1976-80, 1986-90, 1991-95, 1996-00, 2001-05, 2006-09 and 1970-09

Country/ Region	1970-75		1976-80		1981-85		1986-90		1991-95		1996-00		2001-05		2006-09		1970-09	
	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV
Algeria	3.6	25.2	7.4	10.6	3.1	9.3	4.2	11.7	1.3	10.9	-1.5	14.5	5.6	8.8	2.2	5.6	3.7	12.2
Bahrain	7.0	5.8	1.1	13.9	-1.6	7.3	-2.0	9.9	10.0	8.9	-1.3	6.5	1.8	3.8	10.6	15.4	3.1	9.0
Comoros	4.7	2.2	6.2	3.8	4.5	0.9	3.3	0.6	0.1	7.0	6.5	6.0	3.2	2.1	0.9	0.3	3.5	3.7
Djibouti	0.9	12.8	-0.7	10.9	3.1	2.7	1.7	4.2	2.6	7.1	1.8	2.3	3.2	0.3	5.5	1.2	2.5	6.3
Egypt	3.3	1.8	2.1	3.3	3.7	0.4	3.3	0.5	3.1	0.7	3.6	0.1	5.0	1.4	5.6	1.3	3.6	1.8
Jordan	-2.2	43.3	6.3	13.0	2.9	10.1	9.2	25.1	-3.1	20.4	-6.3	16.5	11.7	9.9	6.0	9.2	3.2	20.2
KSA	0.0	11.9	2.0	11.3	18.2	34.4	1.5	24.3	11.2	60.3	4.4	7.3	4.7	10.6	0.9	16.4	4.7	26.9
Kuwait	-1.0	20.4	19.3	46.2	9.6	32.2	-11.6	29.6	18.0	19.2	2.3	3.6	1.2	1.5	4.8	9.7	2.0	24.1
Lebanon	8.7	13.2	5.8	14.2	4.0	8.8	0.5	10.7	0.7	5.8	1.8	3.5	4.9	1.7	3.0	3.5	4.2	8.8
Libya	-1.4	7.6	1.9	12.4	10.4	24.6	-0.1	25.2	-14.1	43.5	-8.3	42.9	4.1	13.6	-3.6	19.7	2.0	24.7
Morocco	-22.4	29.4	10.9	32.1	6.8	2.7	8.1	3.9	7.9	5.5	4.1	5.0	-0.4	3.8	5.8	7.3	1.0	16.8
Oman	9.1	2.4	7.9	29.1	2.7	2.6	-1.7	6.6	2.6	25.1	-3.0	11.7	-4.3	13.6	1.1	5.5	1.8	14.9
Qatar	5.5	1.0	7.7	27.0	13.2	6.4	9.1	5.6	2.0	3.1	2.5	1.7	1.6	1.0	1.1	0.7	5.2	10.2
Sudan	3.4	6.1	-4.2	10.9	-9.4	17.3	0.4	21.6	8.3	11.8	12.0	5.1	1.4	4.4	5.3	2.6	3.8	11.8
Syria	12.0	42.2	6.5	24.1	-1.6	5.7	-0.7	25.1	6.8	6.7	2.5	14.8	2.6	5.5	-3.1	14.0	4.6	20.0
Tunisia	11.0	14.8	-0.1	8.2	5.1	10.7	6.4	28.7	-5.1	10.5	2.9	12.8	2.8	13.6	2.6	2.5	3.5	13.9
UAE	10.5	11.1	14.6	7.5	10.6	6.7	5.0	7.5	14.3	10.4	14.8	6.4	-0.4	8.9	1.8	4.5	9.8	9.9
AC	3.6	11.2	6.2	18.0	9.9	14.9	3.8	13.4	4.2	16.0	2.6	7.1	2.6	5.0	1.7	5.2	4.7	13.3
EAP	3.6	4.0	2.5	3.7	5.4	3.1	3.7	2.5	3.0	2.2	2.3	2.3	3.8	2.0	5.2	3.7	3.7	3.6
ECA	2.8	7.1	0.3	5.9	0.9	3.9	3.5	10.5	0.9	6.3	-0.3	8.2	2.5	9.9	0.3	8.9	1.4	7.9
LAC	3.3	3.9	3.9	4.7	2.1	4.2	2.1	5.8	2.9	3.0	2.4	2.6	2.7	3.4	0.9	5.3	2.6	4.2
SAS	1.5	6.8	2.5	8.9	2.5	4.9	4.5	6.6	3.3	4.0	1.4	4.6	2.3	6.1	2.4	2.8	2.5	5.7
SSA	3.0	12.0	2.5	6.5	1.0	12.2	2.9	6.8	-2.3	14.2	2.9	8.1	5.3	7.6	4.1	5.3	2.5	10.6
DR	3.2	6.1	3.5	6.9	3.6	6.0	3.0	6.6	2.5	5.7	2.1	4.1	3.1	4.3	2.2	4.8	3.0	6.0

Source: ibid

Table 11. Distribution of Arab countries versus rest of the world according to volatility (measured by standard deviation) and average annual growth rate in manufacturing sector for the periods 1970-75, 1976-80, 1986-90, 1991-95, 1996-00, 2001-05, 2006-09 and 1970-09

Country/ Region	1970-75		1976-80		1981-85		1986-90		1991-95		1996-00		2001-05		2006-09		1970-09	
	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV
Algeria	7.6	18.6	8.7	4.2	7.5	3.7	-0.8	4.2	-3.2	2.2	1.7	6.4	2.4	0.6	2.4	1.4	3.3	8.1
Bahrain	10.9	15.8	12.0	21.3	11.2	13.1	5.2	7.4	11.3	8.6	3.6	2.4	11.9	8.8	4.1	6.8	7.0	11.4
Comoros	4.7	2.2	6.3	3.9	4.6	2.0	4.2	2.2	3.8	5.1	2.3	6.8	1.4	1.8	0.9	0.3	3.3	3.7
Djibouti	3.8	8.8	6.5	14.2	6.1	6.6	-2.6	9.4	-3.4	4.6	0.6	4.3	3.0	0.3	5.3	1.5	2.1	7.7
Egypt	3.6	4.0	6.1	2.2	9.6	2.2	6.9	0.7	5.6	2.8	7.4	1.9	4.3	1.7	5.6	1.4	6.2	2.9
Jordan	-0.8	22.7	18.5	17.3	4.5	8.7	3.6	12.9	13.0	15.8	9.0	7.5	11.8	7.2	6.9	4.3	6.4	12.9
KSA	14.1	7.5	3.4	7.1	2.4	5.8	3.3	7.7	14.3	26.0	-1.8	6.2	15.0	12.6	1.6	7.0	3.8	12.0
Kuwait	-1.0	17.7	10.2	33.6	7.8	30.2	-11.6	29.8	4.7	17.3	1.3	6.5	1.9	2.4	7.4	8.5	1.2	20.5
Lebanon	2.6	17.2	19.3	16.1	14.9	6.5	0.6	10.7	2.3	8.3	1.0	5.3	8.0	7.3	3.1	3.9	6.1	12.2
Libya	6.2	3.5	4.6	2.1	5.2	2.0	4.9	5.1	2.3	2.0	2.8	0.5	2.8	1.2	0.7	3.8	3.7	3.0
Morocco	19.4	25.3	33.2	32.1	34.1	17.5	8.3	7.5	10.9	7.7	15.8	29.5	6.8	16.0	8.9	5.4	16.4	21.1
Oman	5.1	12.1	14.7	24.5	10.3	7.6	5.5	8.9	-4.6	13.9	8.3	16.3	9.2	3.2	-2.6	9.3	6.7	14.3
Qatar	8.0	9.9	8.3	1.9	9.6	1.8	2.0	2.8	4.9	2.5	4.0	4.6	6.1	1.7	4.5	2.1	6.1	4.6
Sudan	2.4	11.9	3.1	5.6	2.5	8.8	2.5	12.1	3.8	15.6	6.2	18.9	4.9	8.6	6.3	1.3	5.2	11.2
Syria	6.2	8.9	4.5	14.2	13.2	47.6	0.9	43.1	14.7	4.2	-45.0	46.9	20.3	69.7	15.8	6.1	2.9	38.8
Tunisia	12.6	13.1	9.3	7.4	6.2	2.1	2.7	5.0	6.1	1.9	6.0	1.9	2.2	2.6	1.6	5.7	6.5	6.8
UAE	-0.9	36.2	56.3	65.5	4.3	39.2	3.9	10.9	12.4	9.8	16.7	11.1	13.1	10.1	5.5	9.5	13.5	34.1
AC	7.4	12.7	11.0	11.6	7.7	8.6	1.8	7.6	5.6	8.0	3.1	7.0	7.5	5.8	4.0	3.9	6.0	10.2
EAP	9.6	4.9	11.6	6.4	8.7	6.3	9.5	4.3	12.3	2.9	5.8	4.6	8.3	2.6	6.7	3.6	8.8	5.8
ECA	10.2	2.1	2.3	5.1	4.6	3.5	2.5	6.3	1.8	9.2	1.9	7.8	7.4	5.9	0.4	6.5	4.0	7.2
LAC	7.0	3.9	5.3	4.0	0.7	6.7	1.0	6.3	2.9	4.7	2.5	4.4	2.8	5.0	0.8	5.1	3.0	6.0
SAS	3.2	5.6	4.6	6.5	6.6	2.6	7.5	2.7	8.3	6.5	4.2	3.0	8.0	3.4	6.7	4.7	6.1	5.4
SSA	6.7	5.7	3.4	7.0	0.0	10.2	2.8	6.2	-0.8	6.7	1.9	8.6	4.7	7.5	2.4	5.3	2.9	9.4
DR	7.3	5.4	6.6	6.1	3.7	6.5	3.4	5.6	4.9	5.4	3.2	5.2	5.5	4.5	3.0	4.6	4.9	6.7

Source: ibid.

Table 12. Distribution of Arab countries versus rest of the world according to volatility (measured by standard deviation) and average annual growth rate in services sector for the periods 1970-75, 1976-80, 1986-90, 1991-95, 1996-00, 2001-05, 2006-09 and 1970-09

Country/ Region	1970-75		1976-80		1981-85		1986-90		1991-95		1996-00		2001-05		2006-09		1970-09	
	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV	AAGR	STDEV
Algeria	5.6	0.3	8.5	6.2	5.5	1.5	1.2	3.3	1.9	3.1	2.3	1.2	5.3	1.4	4.4	5.8	4.0	4.0
Bahrain	3.5	12.9	8.0	18.5	10.7	13.2	1.6	6.5	3.9	3.2	3.6	2.4	9.3	5.6	4.9	4.6	6.1	10.3
Comoros	4.7	2.2	5.8	3.5	4.4	2.1	1.6	3.4	-0.5	6.9	-1.8	4.4	4.4	5.0	0.9	0.3	2.4	4.3
Djibouti	3.8	5.8	-3.7	8.7	-0.3	6.9	3.3	2.5	4.7	4.7	1.8	2.1	2.9	1.2	5.0	4.9	2.7	5.2
Egypt	4.4	3.5	9.4	2.9	7.7	6.6	6.7	2.6	4.1	1.5	4.9	1.3	4.6	1.7	5.6	1.4	6.3	3.8
Jordan	-0.6	6.3	12.4	6.0	1.9	7.7	-2.6	8.1	5.7	2.4	4.0	0.6	6.4	2.5	5.9	2.2	4.4	5.9
KSA	7.9	5.8	11.0	8.2	1.1	5.5	2.2	4.7	16.5	41.3	4.4	6.7	10.9	3.0	11.5	18.4	5.7	15.7
Kuwait	-2.4	17.0	20.2	55.2	8.8	31.1	-11.6	29.7	-2.7	21.5	6.0	5.0	0.8	8.4	7.4	2.8	0.8	25.3
Lebanon	6.6	11.3	15.5	4.7	0.6	7.6	0.6	10.7	0.6	6.0	1.2	2.7	7.9	3.1	6.6	1.2	5.0	7.7
Libya	6.3	3.3	5.3	4.1	5.7	2.6	5.6	1.3	2.8	2.3	3.8	2.3	4.7	1.5	1.5	6.1	4.8	3.2
Morocco	24.5	27.8	21.3	9.5	12.6	3.0	3.2	4.6	6.3	1.8	2.8	2.9	6.7	1.3	8.2	4.8	10.2	12.7
Oman	6.8	9.2	14.9	20.3	-0.6	12.6	2.2	2.2	3.9	2.1	5.1	3.0	9.1	10.4	22.1	4.6	8.1	11.5
Qatar	19.5	11.8	7.7	3.0	2.3	5.1	0.6	3.3	1.5	2.5	3.8	1.3	3.9	0.7	3.8	0.5	5.1	7.5
Sudan	6.6	11.5	1.8	10.5	-5.0	10.9	7.2	6.8	3.8	3.8	1.6	1.9	8.5	3.4	8.0	5.0	4.7	7.7
Syria	13.6	8.4	6.6	2.4	0.6	7.0	-0.8	9.3	7.9	2.8	2.5	1.7	8.6	3.8	11.2	5.4	6.0	7.0
Tunisia	4.4	9.6	6.2	3.4	3.7	2.5	4.2	4.2	5.7	2.3	6.2	0.6	6.2	1.3	6.2	1.3	5.3	3.9
UAE	9.6	12.4	11.9	16.2	2.4	9.5	3.3	3.4	9.3	2.9	6.6	1.2	9.5	2.9	7.2	0.8	8.3	8.6
AC	9.5	8.5	10.1	9.5	3.0	7.1	1.2	5.6	4.3	8.9	3.8	2.2	6.1	2.1	6.0	3.7	5.4	8.2
EAP	8.3	4.8	11.9	5.7	10.3	4.8	8.0	4.7	9.5	2.1	4.8	3.2	7.9	1.0	7.8	1.8	8.2	4.7
ECA	6.1	0.7	3.1	3.9	3.0	1.3	3.5	3.7	2.7	2.8	2.9	2.4	5.5	4.9	4.1	3.0	4.1	3.8
LAC	7.0	2.5	5.3	2.3	2.0	3.1	1.9	2.8	3.1	2.2	2.4	1.7	3.4	2.0	2.7	3.0	3.7	3.4
SAS	3.5	1.9	4.6	1.4	6.4	1.7	6.5	1.6	5.7	1.7	7.9	2.9	7.0	2.1	8.5	2.6	6.1	2.6
SSA	5.1	3.7	1.0	4.1	2.3	6.2	4.2	3.8	0.9	3.0	2.7	2.4	4.5	3.3	5.2	2.1	3.6	4.8
DR	7.1	3.6	6.3	4.1	3.9	3.9	3.5	3.7	4.4	3.1	3.6	2.4	5.2	2.1	5.0	2.7	5.1	4.4

Source: ibid.

Table 13. Population of Arab countries (in thousands), 1970-2015

Country/ Region	1970	1980	1990	2000	2005	Projected Est.		Average Annual Growth Rates			
						2010	2015	1970 -80	1980 -90	1990-00	2000-10
Algeria	13,746	18,811	25,283	30,506	32,855	35,423	38,088	3.2%	3.0%	1.9%	1.5%
Bahrain	220	347	493	650	728	807	882	4.7%	3.6%	2.8%	2.2%
Comoros	238	329	438	552	616	691	767	3.3%	2.9%	2.3%	2.3%
Djibouti	162	340	560	730	805	879	953	7.7%	5.1%	2.7%	1.9%
Egypt	35,575	44,433	57,785	70,174	77,154	84,474	91,778	2.2%	2.7%	2.0%	1.9%
Iraq	10,210	14,024	18,079	24,652	28,238	31,467	35,884	3.2%	2.6%	3.1%	2.5%
Jordan	1,623	2,225	3,254	4,853	5,566	6,472	6,957	3.2%	3.9%	4.1%	2.9%
KSA	5,745	9,604	16,259	20,808	23,613	26,246	28,933	5.3%	5.4%	2.5%	2.3%
Kuwait	744	1,375	2,143	2,228	2,700	3,051	3,378	6.3%	4.5%	0.4%	3.2%
Lebanon	2,443	2,785	2,974	3,772	4,082	4,255	4,426	1.3%	0.7%	2.4%	1.2%
Libya	1,994	3,063	4,365	5,346	5,923	6,546	7,158	4.4%	3.6%	2.0%	2.0%
Mauritania	1,149	1,525	1,988	2,604	2,985	3,366	3,732	2.9%	2.7%	2.7%	2.6%
Morocco	15,310	19,567	24,808	28,827	30,495	32,381	34,330	2.5%	2.4%	1.5%	1.2%
Oman	747	1,187	1,843	2,402	2,618	2,905	3,198	4.7%	4.5%	2.7%	1.9%
OPT	1,096	1,476	2,154	3,149	3,762	4,409	5,090	3.0%	3.9%	3.9%	3.4%
Qatar	111	229	467	617	885	1,508	1,630	7.5%	7.4%	2.8%	9.3%
Somalia	3,600	6,434	6,596	7,394	8,354	9,359	10,731	6.0%	0.2%	1.1%	2.4%
Sudan	15,039	20,509	27,091	34,904	38,698	43,192	47,730	3.2%	2.8%	2.6%	2.2%
Syria	6,371	8,971	12,721	16,511	19,121	22,505	24,494	3.5%	3.6%	2.6%	3.1%
Tunisia	5,127	6,457	8,215	9,452	9,878	10,374	10,884	2.3%	2.4%	1.4%	0.9%
UAE	225	1,015	1,867	3,238	4,089	4,707	5,193	16.3%	6.3%	5.7%	3.8%
Yemen	6,391	8,381	12,314	18,182	21,024	24,256	27,819	2.7%	3.9%	4.0%	2.9%
GCC	7,792	13,757	23,072	29,943	34,633	39,224	43,214	5.8%	5.3%	2.6%	2.7%
LDC	26,579	37,518	48,987	64,366	72,482	81,743	91,732	3.5%	2.7%	2.8%	2.4%
Maghreb	36,177	47,898	62,671	74,131	79,151	84,724	90,460	2.8%	2.7%	1.7%	1.3%
Mashreq	57,318	73,914	96,967	123,111	137,923	153,582	168,629	2.6%	2.8%	2.4%	2.2%
AC	127,866	173,087	231,697	291,551	324,189	359,273	394,035	3.1%	3.0%	2.3%	2.1%
EAP	971,537	1,200,000	1,300,000	1,500,000	1,500,000	1,600,000	1,600,000	2.1%	0.8%	1.4%	0.6%
LAC	286,472	362,655	442,310	521,228	556,512	588,649	618,486	2.4%	2.0%	1.7%	1.2%
SAS	283,267	355,774	439,591	517,193	554,079	589,615	622,911	2.3%	2.1%	1.6%	1.3%
SSA	294,963	389,754	518,053	674,842	764,328	863,314	970,173	2.8%	2.9%	2.7%	2.5%
DR	3,700,000	4,400,000	5,300,000	6,100,000	6,500,000	6,900,000	7,300,000	1.7%	1.9%	1.4%	1.2%

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2008 Revision, http://esa.un.org/unpp, December 25, 2010

Table 14. Age structure for Arab countries and developing regions, 1980-2015

Country / Region	Percentage aged 0-4 (%)					Percentage aged 5-14 (%)					Percentage aged 15-24 (%)					Percentage aged 25-64 (%)					Percentage aged 65 or over (%)				
	1980	1990	2005	Est. 2010	Est. 2015	1980	1990	2005	Est. 2010	Est. 2015	1980	1990	2005	Est. 2010	Est. 2015	1980	1990	2005	Est. 2010	Est. 2015	1980	1990	2005	Est. 2010	Est. 2015
Algeria	18	15	10	10	10	28	28	20	17	17	19	20	23	21	17	31	33	43	48	51	4	4	5	5	5
Bahrain	13	12	9	9	8	22	20	18	17	16	22	16	17	18	17	42	50	53	54	57	2	2	3	2	3
Comoros	19	16	15	15	13	27	30	24	24	24	20	20	22	19	18	31	31	37	40	41	3	3	3	3	3
Djibouti	18	17	13	12	12	28	27	25	23	22	20	20	21	22	21	33	34	38	40	42	2	2	3	3	4
Egypt	16	16	12	11	11	26	26	22	21	20	20	18	22	20	18	35	36	40	43	46	4	4	5	5	5
Iraq	18	17	15	14	13	29	28	27	26	25	18	21	20	20	21	31	30	35	36	39	4	3	3	3	3
Jordan	19	18	13	12	11	31	29	25	22	21	19	22	22	20	19	28	28	38	42	44	3	3	4	4	4
KSA	19	16	12	11	10	25	26	23	21	20	19	19	19	19	18	34	37	44	46	49	3	2	3	3	3
Kuwait	16	14	9	9	8	25	22	15	15	15	18	17	16	14	14	40	45	59	60	61	1	1	2	2	3
Lebanon	14	12	8	8	8	25	24	19	17	15	21	20	19	18	18	35	39	47	50	53	5	5	7	7	8
Libya	19	14	11	11	10	28	30	19	19	19	18	21	22	17	16	33	33	44	48	50	2	3	4	4	5
Mauritania	18	17	15	15	14	27	27	25	25	24	20	20	20	20	20	33	33	36	38	40	3	3	3	3	3
Morocco	16	14	10	10	9	27	26	21	18	18	21	20	21	20	18	33	36	43	47	50	4	4	5	5	6
Oman	19	17	11	10	10	26	27	23	21	19	18	17	20	21	19	34	37	43	45	49	2	2	3	3	4
OPT	19	18	18	16	15	29	28	28	28	27	20	20	19	20	21	29	30	32	33	34	4	3	3	3	3
Qatar	12	11	7	6	5	21	17	11	10	11	19	13	18	18	11	48	59	62	65	71	1	1	1	1	2
Somalia	19	18	18	18	17	27	27	26	27	27	19	20	18	19	19	32	33	34	34	34	3	3	3	3	3
Sudan	18	17	15	14	13	27	27	26	25	24	19	19	20	20	21	33	34	36	37	39	3	3	3	4	4
Syria	20	18	14	13	12	29	31	23	22	22	20	20	23	21	18	29	29	37	42	44	3	3	3	3	3
Tunisia	16	13	8	8	8	27	25	18	15	14	21	20	21	19	16	33	37	47	51	55	4	5	7	7	7
UAE	13	13	7	7	6	15	17	12	13	12	18	15	16	12	13	53	54	63	68	67	1	1	1	1	1
Yemen	21	21	17	16	15	30	30	29	27	26	20	19	22	22	22	27	27	30	32	34	2	2	2	2	3
GCC	18	16	11	10	9	25	24	20	19	18	19	18	18	18	17	37	40	48	51	53	3	2	3	3	3
LDC	19	18	16	15	14	28	28	27	26	25	19	20	20	21	21	32	32	34	36	37	3	3	3	3	3
Maghreb	17	14	10	10	9	27	27	20	18	17	20	20	22	20	17	32	35	44	48	51	4	4	5	5	6
Mashreq	17	17	13	12	12	27	27	23	22	22	19	19	22	20	19	33	33	39	41	44	4	4	4	4	5
AC	18	16	13	12	11	27	27	23	22	21	20	20	21	20	19	33	34	40	43	45	3	3	4	4	4
EAP	10	10	6	6	6	25	17	15	13	12	19	21	17	16	14	33	36	45	37	51	5	6	9	10	11
LAC	14	13	10	9	8	25	24	20	19	17	20	20	19	18	17	37	38	49	45	37	5	5	6	7	8
SAS	15	13	10	9	9	26	24	20	18	17	20	20	19	18	17	40	31	49	52	47	4	4	5	6	6
SSA	18	18	17	16	15	27	27	27	26	26	19	19	20	20	20	42	41	42	50	51	3	3	3	3	3
DR	12	12	10	9	9	23	21	19	18	17	19	19	18	18	17	37	48	45	46	55	6	6	7	8	8

Source: ibid.

Table 15. Fertility rate, total (births per woman), 2000-2009

Country/ Region	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Algeria	2.621	2.558	2.515	2.483	2.457	2.433	2.409	2.385	2.363	2.342
Bahrain	2.603	2.554	2.512	2.472	2.433	2.392	2.351	2.311	2.271	2.233
Comoros	4.321	4.267	4.222	4.182	4.144	4.106	4.062	4.011	3.952	3.885
Djibouti	4.802	4.682	4.566	4.45	4.336	4.222	4.111	4.001	3.896	3.794
Egypt	3.317	3.253	3.189	3.128	3.069	3.013	2.96	2.909	2.861	2.816
Iraq	5.024	4.873	4.726	4.587	4.46	4.345	4.241	4.145	4.052	3.927
Jordan	3.889	3.74	3.605	3.603	3.602	3.6	3.562	3.524	3.486	3.383
Kuwait	2.418	2.361	2.314	2.276	2.246	2.222	2.201	2.184	2.168	2.152
Lebanon	2.386	2.271	2.163	2.068	1.991	1.932	1.892	1.866	1.849	1.841
Libya	3.188	3.117	3.05	2.987	2.926	2.866	2.807	2.75	2.695	2.642
Mauritania	5.092	5.015	4.939	4.864	4.789	4.714	4.636	4.556	4.474	4.388
Morocco	2.703	2.621	2.554	2.5	2.457	2.423	2.396	2.374	2.354	2.3295
Oman	4.413	4.159	3.924	3.711	3.523	3.364	3.234	3.13	3.045	2.978
Qatar	3.129	3.034	2.94	2.844	2.747	2.651	2.561	2.48	2.413	2.36
KSA	4.201	4.039	3.881	3.729	3.585	3.451	3.329	3.22	3.124	3.04
Somalia	6.507	6.507	6.504	6.497	6.485	6.469	6.447	6.42	6.389	6.351
Sudan	5.132	5.012	4.888	4.764	4.64	4.519	4.4	4.284	4.17	4.058
Syria	3.79	3.719	3.654	3.591	3.527	3.46	3.389	3.317	3.245	3.1426
Tunisia	2.08	2.05	2	2.06	2.02	2.04	2.03	2.03	2.06	2.05
UAE	2.696	2.596	2.496	2.393	2.289	2.185	2.089	2.007	1.943	1.899
Yemen	6.285	6.126	5.977	5.839	5.709	5.586	5.465	5.345	5.224	5.1
AC	3.825	3.734	3.647	3.572	3.499	3.433	3.369	3.309	3.254	3.193

Source: WDI

Table 16. Life expectancy at birth, total (years), 2000-2009

Country/ Region	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Algeria	70.02	70.38	70.73	71.06	71.36	71.65	71.90	72.15	72.39	72.62
Bahrain	74.56	74.72	74.89	75.06	75.23	75.39	75.57	75.74	75.91	76.08
Comoros	61.83	62.29	62.74	63.19	63.63	64.07	64.49	64.93	65.35	65.76
Djibouti	53.54	53.67	53.80	53.97	54.17	54.43	54.72	55.045	55.39	55.75
Egypt	68.23	68.56	68.85	69.09	69.33	69.54	69.74	69.94	70.14	70.34
Iraq	70.94	70.66	70.20	69.64	69.047	68.50	68.11	67.91	67.93	68.15
Jordan	70.63	70.92	71.20	71.47	71.73	71.99	72.23	72.48	72.71	72.94
Kuwait	76.83	76.99	77.142	77.29	77.43	77.57	77.70	77.84	77.97	78.10
Lebanon	70.64	70.79	70.96	71.13	71.31	71.49	71.68	71.86	72.05	72.23
Libya	72.53	72.77	72.98	73.19	73.41	73.64	73.87	74.10	74.33	74.54
Mauritania	56.46	56.46	56.44	56.41	56.39	56.39	56.44	56.55	56.73	56.70
Morocco	68.67	69.06	69.42	69.77	70.11	70.42	70.73	71.016	71.29	71.59
Oman	73.50	73.83	74.17	74.49	74.82	75.12	75.40	75.67	75.91	76.14
Qatar	73.63	74.02	74.38	74.72	75.02	75.29	75.53	75.75	75.94	76.12
KSA	71.34	71.55	71.76	71.98	72.20	72.43	72.66	72.89	73.12	73.43
Somalia	48.34	48.79	49.10	49.31	49.44	49.52	49.58	49.68	49.84	50.07
Sudan	56.047	56.31	56.56	56.80	57.04	57.29	57.55	57.84	58.15	58.48
Syria	72.35	72.64	72.91	73.16	73.39	73.62	73.83	74.03	74.23	74.42
Tunisia	72.60	72.85	73.00	73.05	73.30	73.50	73.90	74.20	74.30	74.45
UAE	76.80	76.94	77.05	77.16	77.267	77.38	77.49	77.62	77.75	77.88
Yemen	59.17	59.63	60.09	60.56	61.02	61.49	61.97	62.45	62.92	63.38
AC	67.02	67.28	67.50	67.69	67.88	68.05	68.24	68.45	68.66	68.91

Source: ibid

Table 17. Labour force participation rates in the Arab countries and selected country groups for the age group (15+), 1981-2009

Country/ Region	TOTAL						MALE						FEMALE					
	1981	1991	2000	2005	2008	2009	1981	1991	2000	2005	2008	2009	1981	1991	2000	2005	2008	2009
Algeria	44.9	49.5	55.2	57.1	58.3	58.5	70.6	75.7	79.0	79.3	79.9	79.6	19.5	23.5	31.3	34.7	36.6	37.2
Bahrain	61.4	65.3	65.2	64.6	63.9	63.8	86.9	88.2	86.2	85.8	85.2	85.0	18.6	29.2	33.8	33.0	32.2	32.4
Comoros	75.3	75.9	77.0	78.4	79.3	79.6	87.1	86.9	83.8	84.8	85.5	85.4	63.8	65.1	70.1	72.2	73.1	73.7
Djibouti	64.2	66.4	68.8	69.6	70.0	70.1	80.8	81.5	81.2	79.8	79.1	78.7	48.1	51.7	56.6	59.4	61.1	61.5
Egypt	51.5	50.4	48.9	48.0	47.8	48.8	74.3	74.6	74.1	73.3	73.0	75.3	29.0	26.4	23.8	22.8	22.8	22.4
Iraq	41.7	41.8	41.6	41.5	41.4	41.3	72.8	73.1	71.0	69.6	69.4	68.9	9.9	11.1	12.6	13.4	13.3	13.8
Jordan	42.4	45.9	49.5	48.9	49.8	49.3	70.4	72.1	75.2	74.1	74.8	73.9	12.6	16.7	21.6	22.1	23.4	23.3
KSA	47.2	53.3	53.9	54.8	54.6	54.5	75.0	79.8	79.7	80.3	79.9	79.8	9.8	14.6	17.6	19.8	20.8	21.2
Kuwait	58.1	64.4	70.4	69.4	68.4	68.5	80.5	82.2	85.0	83.4	82.8	82.5	22.2	36.9	44.3	45.2	44.3	45.4
Lebanon	41.8	43.3	44.8	45.3	45.2	46.1	69.7	70.8	71.6	71.1	70.3	71.5	15.3	18.1	20.0	21.2	21.8	22.3
Libya	46.2	46.9	50.5	52.3	52.2	52.8	73.6	74.0	75.5	77.8	78.4	78.9	12.0	15.3	22.7	24.3	23.8	24.7
Mauritania	66.5	67.1	68.5	69.5	69.9	70.0	81.9	81.9	81.5	81.3	81.2	81.0	51.6	52.7	55.6	57.6	58.5	59.0
Morocco	52.5	52.3	53.4	52.3	52.4	52.3	81.4	81.2	80.7	79.9	80.0	80.1	24.3	24.4	27.5	26.2	26.5	26.2
Oman	52.2	56.3	57.9	56.5	55.6	55.7	78.5	80.8	79.2	77.9	76.9	76.9	20.4	18.9	23.4	24.7	24.8	25.4
Qatar	71.3	80.1	75.5	82.2	83.8	84.3	90.9	94.5	92.4	92.5	92.8	93.0	25.7	41.4	36.9	45.9	48.2	49.9
Somalia	69.7	71.0	71.3	70.6	70.3	70.3	84.7	84.0	84.7	84.6	84.6	84.7	55.3	58.4	58.4	57.1	56.5	56.5
Sudan	58.0	52.1	52.0	52.3	52.4	52.3	85.4	77.5	75.1	74.5	73.9	73.9	31.0	26.9	28.9	30.1	30.9	30.8
Syria	46.0	50.2	50.3	49.6	50.6	50.4	79.6	81.4	80.1	78.9	80.1	79.5	12.5	19.0	20.3	20.0	21.0	21.1
Tunisia	49.6	48.2	48.1	47.7	48.1	48.0	79.7	75.2	72.3	70.6	70.9	70.6	19.2	21.1	23.8	24.8	25.5	25.6
UAE	75.0	73.1	75.6	76.8	77.6	77.6	94.5	91.6	91.3	91.3	92.0	92.1	16.8	26.2	34.2	39.3	41.8	41.9
Yemen	44.6	45.0	45.4	46.0	46.6	46.8	73.7	74.2	73.3	73.1	73.4	73.5	17.0	16.2	17.2	18.5	19.5	19.9
GCC	52.2	57.5	59.1	60.3	60.4	60.4	78.8	82.1	82.3	82.8	82.7	82.7	12.9	18.7	22.4	24.9	25.9	26.4
LDC	57.8	54.0	53.6	53.8	53.9	53.9	82.7	77.9	76.1	75.7	75.3	75.4	33.6	30.4	31.1	31.9	32.4	32.5
Maghreb	48.8	50.3	53.2	53.7	54.3	54.4	76.6	77.7	78.5	78.3	78.6	78.6	21.1	23.0	28.2	29.4	30.4	30.5
Mashreq	48.4	48.4	47.6	46.9	47.0	47.5	74.3	74.9	74.3	73.4	73.3	74.5	22.7	22.0	21.0	20.6	20.8	20.6
AC	50.8	51.0	51.6	51.7	51.9	52.2	77.1	77.2	76.8	76.4	76.4	76.9	23.9	23.8	25.3	25.7	26.3	26.3
EAP	76.8	76.9	75.3	74.5	70.7	71.2	86.1	84.5	83.4	81.3	80.2	80.3	67.2	69.0	67.0	65.1	64.5	64.4
ECA	66.5	64.0	58.9	58.4	59.3	58.9	77.0	74.0	68.8	68.1	69.0	68.5	57.4	55.1	50.2	49.8	50.7	50.5
LAC	58.8	61.7	63.4	64.8	65.6	65.5	81.4	82.2	80.6	80.3	80.3	79.9	36.8	41.8	46.9	50.0	51.7	51.8
SAS	61.0	60.8	59.1	58.8	58.9	58.8	86.3	84.4	82.7	82.1	81.5	81.6	33.4	35.4	34.1	34.2	35.1	34.9
SSA	70.3	70.2	70.9	71.3	71.5	71.8	82.5	81.9	81.3	81.1	81.1	81.1	58.4	58.9	60.8	61.9	62.2	62.7
DR	68.9	69.0	67.5	67.2	65.9	66.1	84.3	82.9	81.4	80.3	79.8	79.8	53.3	54.8	53.4	53.0	53.3	53.2

Source: Kilmnet, ILO

Table 18. Labour force participation rates in the Arab countries and selected country groups for the age group 15-24, 1981-2009

Country/ Region	TOTAL						MALE						FEMALE					
	1981	1991	2000	2005	2008	2009	1981	1991	2000	2005	2008	2009	1981	1991	2000	2005	2008	2009
Algeria	32.2	32.8	34.9	37.3	36.5	36.3	45.5	56.7	64.5	64.3	64.3	63.3	20.2	22.2	26.6	28.6	29.8	30.1
Bahrain	31.0	33.4	34.6	35.3	33.9	33.5	64.9	60.4	55.6	53.1	52.0	51.6	19.9	23.5	25.0	23.2	21.3	21.4
Comoros	53.3	54.8	54.4	52.4	51.3	50.9	71.8	71.0	64.7	65.3	65.1	64.2	59.2	58.9	56.3	57.2	57.1	56.8
Djibouti	57.0	57.0	55.8	54.6	53.8	53.6	60.4	62.3	61.4	58.4	56.6	55.6	46.2	47.3	47.3	46.3	45.9	46.0
Egypt	33.0	33.3	30.8	29.2	28.8	28.4	42.5	42.0	48.8	52.1	47.4	52.6	29.2	25.6	23.0	22.0	19.1	19.8
Iraq	25.2	29.3	29.7	27.7	27.2	25.5	57.7	57.3	52.4	49.4	48.8	47.8	7.3	8.3	8.1	8.0	7.7	7.9
Jordan	28.8	30.5	30.2	30.4	29.6	29.8	43.1	47.7	48.1	45.0	44.2	41.2	5.2	7.8	9.7	9.3	9.3	9.1
KSA	36.7	35.3	37.0	35.1	36.2	37.0	43.9	42.5	42.9	44.1	42.6	41.8	14.9	23.7	25.1	24.5	23.7	23.9
Kuwait	27.0	28.8	27.4	25.5	28.7	26.9	43.3	44.0	42.8	42.5	41.5	41.5	14.5	16.8	17.9	18.0	17.3	17.7
Lebanon	48.6	47.3	46.7	42.7	42.4	41.1	46.7	48.0	50.8	54.3	53.4	53.2	16.2	17.1	18.4	19.6	19.0	18.7
Libya	62.4	61.7	62.2	60.8	60.8	61.1	65.2	65.1	63.1	61.4	60.3	59.7	48.4	48.5	48.0	47.4	47.1	47.2
Mauritania	47.4	41.0	36.6	33.0	33.0	32.6	69.9	67.6	65.3	62.0	61.5	60.7	27.8	26.7	28.3	23.6	23.3	21.5
Morocco	47.3	53.6	45.1	60.5	63.5	64.0	49.6	48.9	49.7	46.8	48.5	49.2	22.5	19.4	22.4	22.9	22.4	22.9
Oman	28.3	29.3	30.3	29.2	28.8	28.9	67.9	70.5	62.1	71.3	73.0	73.2	14.5	27.8	22.0	29.9	32.0	33.7
Qatar	56.5	46.5	46.0	48.3	45.7	44.5	47.3	48.8	49.4	48.0	47.5	47.4	4.2	6.9	8.6	9.2	9.7	10.0
Somalia	49.4	41.0	35.1	33.9	32.6	32.7	72.8	71.7	72.1	70.5	70.5	70.8	52.1	51.8	52.3	51.1	51.1	51.4
Sudan	33.9	33.0	32.4	32.6	32.9	33.0	69.3	57.5	43.8	41.9	40.0	40.0	29.1	24.2	26.1	25.6	25.0	25.1
Syria	38.2	44.5	41.8	41.2	41.7	40.7	45.8	48.1	47.5	42.6	46.5	43.0	5.6	6.8	6.1	7.5	10.0	9.9
Tunisia	35.9	33.8	36.1	37.3	33.5	36.5	69.3	55.2	47.7	43.9	43.8	42.9	24.6	26.5	24.9	21.6	21.7	21.8
UAE	65.6	65.0	60.5	61.3	61.1	60.5	81.1	64.6	61.2	61.6	58.0	56.6	11.1	16.9	23.9	28.4	29.4	29.1
Yemen	33.1	39.8	45.9	46.8	47.4	47.1	51.0	50.1	48.7	48.7	48.9	48.9	15.9	15.0	15.1	15.7	16.2	16.5
GCC	32.0	31.9	33.2	33.1	32.7	32.7	39.3	38.0	38.6	38.7	37.7	37.9	7.5	9.8	12.0	13.0	13.1	13.3
LDC	48.5	42.8	38.6	37.6	36.9	37.0	82.0	74.2	65.3	64.8	65.1	65.4	39.7	35.2	36.4	36.5	36.7	37.1
Maghreb	41.5	42.4	44.2	42.9	43.0	42.3	57.0	56.5	55.6	52.5	51.0	49.8	23.1	22.8	23.9	22.1	21.8	21.1
Mashreq	30.2	28.7	29.1	29.3	27.1	28.5	42.3	43.1	46.5	48.0	45.2	48.1	21.0	18.6	17.3	16.9	15.0	15.5
AC	37.5	35.8	35.6	34.9	33.7	34.2	53.3	51.8	51.4	51.0	49.3	50.2	24.0	22.0	22.2	21.5	20.7	20.8
EAP	78.4	73.1	64.3	59.1	57.0	57.5	80.0	74.5	66.0	60.4	57.8	58.5	76.7	71.7	62.5	57.7	56.1	56.4
ECA	56.3	48.8	42.4	40.3	41.0	41.0	61.5	53.6	48.8	46.4	47.1	47.0	51.0	43.8	35.9	34.1	34.7	34.9
LAC	53.7	55.7	54.3	53.4	52.9	52.4	70.7	71.2	66.7	64.2	63.0	62.0	36.4	40.1	41.8	42.4	42.7	42.7
SAS	55.4	52.0	48.0	47.2	46.6	46.6	74.8	70.1	66.1	65.3	64.1	64.4	34.4	32.5	28.5	27.7	27.7	27.4
SSA	57.8	57.7	57.7	57.6	57.4	57.5	64.8	64.3	64.0	63.4	62.9	62.8	50.9	51.1	51.4	51.8	51.8	52.1
DR	65.2	61.7	55.4	53.1	52.2	52.4	74.3	70.2	64.5	61.8	60.4	60.7	55.6	52.9	45.8	44.0	43.5	43.6

Source: ibid.

Table 19. Growth rates working-age population, labour force and employment in the Arab countries and selected country groups for the age group (15+), 1981-2009

Country/ Region	Working-age population				Labour force				Employment		
	1981-90	1991-00	2001-09	1991-09	1981-90	1991-00	2001-09	1991-09	1991-00	2001-08	1991-09
Algeria	3.5	3.4	2.6	3.1	4.5	4.6	3.9	4.0	4.2	2.3	3.3
Bahrain	3.9	3.3	2.4	2.9	4.6	3.3	2.5	2.8	3.3	1.9	2.6
Comoros	2.9	3.5	2.5	3.1	3.0	3.7	3.4	3.4	3.2	3.2	3.2
Djibouti	5.5	3.1	2.8	3.0	5.8	3.5	3.5	3.3	3.4	3.0	3.2
Egypt	2.6	2.9	2.7	2.8	2.4	2.5	2.8	2.5	3.7	1.5	2.6
Iraq	2.8	3.7	2.8	3.3	2.8	3.6	3.2	3.2	5.6	5.2	5.3
Jordan	4.4	5.2	4.0	4.6	4.9	6.1	4.5	5.1	3.6	0.8	2.2
KSA	5.7	3.2	3.4	3.3	7.2	3.3	4.1	3.5	3.3	2.8	3.1
Kuwait	5.0	2.3	3.6	3.0	6.1	3.3	4.0	3.4	3.4	2.9	3.3
Lebanon	1.2	3.1	2.1	2.7	2.0	3.6	2.6	2.9	5.0	4.5	4.0
Libya	4.3	3.9	2.3	3.2	4.6	4.7	3.3	3.8	2.4	2.4	2.3
Mauritania	2.8	3.2	3.2	3.2	2.9	3.4	4.0	3.4	1.4	1.8	1.6
Morocco	2.8	2.5	2.0	2.3	2.8	2.7	2.1	2.3	2.6	1.8	2.2
Oman	4.7	3.9	2.8	3.4	5.3	4.2	2.6	3.3	4.0	2.1	3.0
Qatar	7.8	3.1	11.8	6.8	9.1	2.4	14.6	7.1	2.6	12.3	7.4
Somalia	0.3	1.3	2.2	1.7	0.5	1.4	2.3	1.7	3.2	2.5	2.8
Sudan	2.9	2.9	2.7	2.8	1.9	2.9	3.2	2.8	4.6	3.9	4.2
Syria	3.7	4.1	4.3	4.2	4.6	4.1	5.0	4.2	4.5	3.8	3.9
Tunisia	3.1	2.6	2.0	2.3	2.8	2.6	2.3	2.3	2.8	3.0	2.8
UAE	5.9	6.6	4.7	5.8	5.5	7.1	6.0	6.2	7.2	3.8	5.6
Yemen	3.7	4.6	3.9	4.3	3.7	4.7	4.8	4.5	3.2	5.1	4.3
GCC	5.6	3.5	3.8	3.7	6.7	3.9	4.0	4.0	3.9	3.3	3.7
LDC	2.7	3.1	3.0	3.1	2.0	3.1	3.1	3.1	3.1	2.7	2.9
Maghreb	3.2	3.0	2.3	2.7	3.5	3.6	2.7	3.1	2.8	3.4	3.2
Mashreq	2.8	3.3	3.0	3.2	2.8	3.1	2.9	3.0	3.3	2.9	3.0
AC excluding GCC	2.9	3.2	2.8	3.0	2.8	3.3	2.9	3.1	3.1	3.0	3.0
AC	3.2	3.2	2.9	3.1	3.2	3.3	3.0	3.2	3.2	3.1	3.1
EAP	2.6	1.6	2.0	1.8	2.7	1.4	1.1	1.3	1.5	1.2	1.3
ECA	0.9	0.7	0.6	0.7	0.6	-0.2	0.7	0.2	-0.1	0.5	0.3
LAC	2.6	2.3	1.8	2.1	3.0	2.6	2.4	2.5	3.0	1.9	2.5
SAS	2.5	2.5	2.3	2.4	2.5	2.2	2.3	2.2	2.2	1.9	2.0
SSA	2.9	3.0	2.8	2.9	2.9	3.1	2.9	3.0	3.0	2.6	2.8
DR	2.4	2.0	2.0	2.0	2.4	1.7	1.7	1.7	1.8	1.5	1.7

Source: ibid.

Table 20. Employment-to-population ratio in the Arab countries and selected country groups for the age group (15+), 1991-2009

Country/ Region	TOTAL					MALE					FEMALE				
	1991	2000	2005	2008	2009	1991	2000	2005	2008	2009	1991	2000	2005	2008	2009
Algeria	39.2	38.4	47.7	49.4	52.0	60.4	55.5	66.3	66.6	71.2	18.2	21.4	29.1	32.1	32.5
Bahrain	61.0	61.0	61.3	61.0	60.3	83.5	81.7	81.6	80.8	81.5	25.7	30.1	30.8	31.6	29.0
Comoros	70.0	67.9	68.7	69.4	74.3	80.5	77.5	78.1	78.5	79.5	59.7	58.5	59.4	60.3	69.2
Egypt	42.6	42.1	41.3	43.2	44.1	68.7	67.8	65.4	67.2	70.8	16.7	16.6	17.3	19.3	17.6
Iraq	36.8	36.7	36.9	37.1	34.0	64.6	62.9	62.1	61.9	57.8	9.7	10.9	12.0	12.5	10.2
Jordan	35.7	37.0	37.9	37.9	43.1	59.5	60.8	61.4	61.2	66.7	9.2	11.1	12.8	13.3	18.2
KSA	50.4	50.9	51.2	50.9	50.9	75.7	76.0	76.1	75.6	75.6	13.5	15.6	17.1	18.0	18.1
Kuwait	61.9	68.3	65.9	65.3	67.0	80.1	82.9	80.1	79.5	80.8	33.6	42.1	41.6	41.8	44.4
Lebanon	43.8	45.7	45.9	45.9	42.1	71.1	71.9	71.2	70.9	65.6	19.0	21.4	22.3	22.6	20.1
Libya	45.3	46.4	47.6	48.6	48.2	71.2	70.0	71.3	71.9	73.2	15.1	20.2	21.8	23.5	21.1
Mauritania	44.8	45.7	46.6	46.9	46.9	53.6	53.2	53.3	53.2	52.8	36.3	38.4	39.8	40.5	40.8
Morocco	45.9	45.6	45.9	46.1	47.5	71.3	69.6	71.1	71.9	72.8	21.3	22.7	22.2	22.0	23.7
Oman	52.6	53.3	51.9	51.4	51.0	75.8	73.7	72.4	71.4	71.8	17.2	20.3	21.7	22.9	21.4
OPT	30.1	33.4	31.2	30.2	32.4	50.9	57.0	50.7	48.4	51.0	8.1	9.3	11.2	11.5	13.3
Qatar	73.0	70.2	75.0	76.9	83.5	89.3	86.2	85.8	86.3	92.5	29.3	33.7	37.2	39.8	47.7
Somalia	65.6	66.0	66.2	66.5	65.5	82.9	82.8	82.3	82.4	78.6	49.0	49.9	50.6	51.2	52.8
Sudan	46.1	47.1	46.9	47.3	47.7	71.0	68.3	67.1	66.5	69.0	21.4	26.1	26.9	28.1	26.4
Syria	46.6	48.1	44.3	44.8	46.3	77.4	78.9	72.6	72.5	76.0	16.0	17.2	15.8	16.9	16.3
Tunisia	40.5	40.2	40.6	41.0	41.1	64.0	60.9	60.5	60.9	60.9	16.9	19.5	20.8	21.2	21.4
UAE	71.3	74.4	75.1	75.9	74.3	89.6	90.1	90.2	91.3	90.0	25.0	33.0	36.3	38.0	35.8
Yemen	38.3	38.1	38.8	39.0	39.9	63.1	58.9	57.5	57.5	64.2	13.9	17.0	19.9	20.4	15.2
GCC	54.5	56.2	56.8	56.9	57.1	78.3	79.0	79.0	78.8	79.2	17.1	20.3	22.0	23.0	23.2
LDC	47.1	47.0	47.0	47.2	47.6	70.1	66.9	65.6	65.2	68.0	24.4	27.3	28.5	29.3	27.1
Maghreb	42.5	42.0	46.1	47.0	48.6	66.0	62.7	67.7	68.2	70.6	19.1	21.6	24.8	26.2	26.9
Mashreq	41.6	41.6	40.7	41.9	42.2	68.4	68.0	65.5	66.4	68.3	15.0	15.5	16.0	17.4	16.1
AC excluding GCC	43.1	42.9	43.7	44.6	45.3	68.0	66.1	66.2	66.7	68.9	18.4	20.0	21.4	22.7	21.8
AC	44.3	44.4	45.2	46.0	46.7	69.3	67.8	67.9	68.3	70.3	18.3	20.0	21.5	22.7	21.9
EAP	72.9	71.6	70.7	67.6	69.5	79.8	78.1	75.9	75.5	76.7	65.9	65.0	63.9	63.1	62.2
ECA	55.6	51.7	52.3	52.9	53.2	64.7	60.9	61.3	61.7	61.6	47.7	43.7	44.5	45.2	46.7
LAC	54.6	57.9	59.8	60.7	60.5	75.9	74.3	74.5	74.6	74.8	34.2	42.3	43.7	47.6	47.3
SAS	58.7	56.8	56.3	56.5	56.2	81.3	79.1	78.1	78.1	78.2	34.3	33.2	33.2	33.7	33.2
SSA	64.9	64.9	65.2	65.5	66.1	75.8	75.4	74.6	74.6	75.0	54.5	54.9	55.2	56.6	57.0
DR	64.5	63.4	63.1	62.2	62.9	77.9	76.2	75.1	75.0	75.6	51.0	50.5	50.3	50.7	50.4

Source: ibid.

Table 21. Employment-to-population ratio in the Arab countries and selected country groups for the age group (15-24), 1991-2009

Country/ Region	TOTAL					MALE					FEMALE				
	1991	2000	2005	2008	2009	1991	2000	2005	2008	2009	1991	2000	2005	2008	2009
Algeria	24.8	22.0	31.5	30.6	36.8	35.7	31.5	43.2	39.9	49.4	13.5	12.1	19.3	20.8	23.8
Bahrain	32.0	31.4	31.4	30.3	29.9	46.7	43.8	43.0	41.3	42.5	15.4	17.0	17.7	17.6	15.5
Comoros	56.8	50.3	49.8	48.5	53.4	62.2	55.6	55.2	53.5	56.3	51.3	44.9	44.3	43.4	50.4
Comoros	59.0	58.1	56.9	57.9	54.0	71.3	70.3	68.1	68.6	62.3	46.9	46.0	45.6	47.1	45.7
Egypt	21.8	23.9	19.8	23.1	26.9	31.6	36.5	30.8	32.6	42.7	12.0	10.8	8.6	13.3	10.6
Iraq	26.8	24.7	23.8	23.2	17.6	46.3	42.4	40.3	39.0	31.2	6.4	6.3	6.4	6.7	3.2
Jordan	24.6	22.4	21.7	19.8	18.4	38.6	36.6	35.1	31.9	31.5	8.2	6.9	7.4	7.1	4.7
KSA	25.9	26.8	25.1	24.7	20.6	43.5	44.3	42.2	41.5	35.6	5.9	6.8	7.0	7.6	5.2
Kuwait	29.4	31.5	30.9	30.2	29.0	38.0	38.0	37.4	35.9	36.0	20.3	24.1	23.0	23.4	21.0
Lebanon	31.4	29.5	29.2	28.7	23.1	51.2	47.8	45.9	44.9	32.1	11.5	11.5	12.1	12.1	13.8
Libya	27.9	27.2	28.3	27.4	27.9	43.6	41.6	43.0	41.2	42.6	11.8	12.3	13.0	13.1	12.5
Mauritania	25.5	24.3	23.5	22.8	22.3	27.9	26.3	25.3	24.4	23.5	22.9	22.2	21.5	21.1	21.0
Morocco	39.7	37.3	36.0	34.7	34.2	55.2	51.3	52.0	51.0	50.1	23.8	23.5	20.2	18.5	18.2
Oman	29.6	30.0	28.1	29.4	28.9	41.5	41.0	37.9	39.3	40.2	15.8	17.3	17.7	18.3	15.9
OPT	19.3	21.3	16.6	15.2	17.0	33.3	37.2	28.1	25.5	27.8	3.3	4.5	4.4	4.5	5.8
Qatar	35.2	28.1	43.2	47.2	61.8	54.7	43.5	53.8	55.8	72.0	5.5	7.2	13.4	18.5	28.1
Sudan	29.2	26.7	24.4	23.4	25.2	41.7	33.4	30.1	28.5	32.7	16.4	19.8	18.5	18.2	17.5
Syria	37.7	39.2	33.2	32.3	33.2	59.3	60.9	52.4	49.2	53.9	15.5	16.8	13.3	14.8	11.9
Tunisia	28.5	24.8	22.8	22.3	22.3	37.9	31.9	30.1	28.9	28.9	18.8	17.4	15.3	15.4	15.3
UAE	43.3	44.9	47.5	45.6	37.6	60.4	60.5	62.8	61.2	50.7	15.4	22.3	24.6	24.9	20.8
Yemen	23.0	21.6	21.8	21.9	22.9	34.3	29.3	27.8	27.4	36.2	11.1	13.4	15.5	16.1	9.1
GCC	28.0	29.3	28.7	28.3	25.0	44.5	45.4	44.4	43.6	39.6	8.7	10.4	10.9	11.3	9.0
LDC	31.8	28.9	27.2	26.7	27.6	43.3	36.2	33.3	32.3	36.7	19.9	21.3	20.9	20.9	18.2
Maghreb	31.3	28.5	31.9	30.9	33.5	44.2	39.7	44.8	42.8	46.7	18.1	17.1	18.7	18.8	19.9
Mashreq	25.4	26.3	22.8	24.3	25.3	39.3	41.6	36.3	36.4	40.9	11.0	10.6	8.8	11.7	9.1
AC excluding GCC	27.8	27.4	26.5	26.9	27.8	41.7	41.4	40.0	39.3	42.5	13.3	12.8	12.3	13.9	12.4
AC	28.6	27.7	26.6	26.8	27.8	42.0	40.3	38.6	37.7	41.2	14.7	14.6	14.1	15.5	13.8
EAP	66.5	62.5	56.6	51.5	51.4	66.9	56.4	50.8	50.5	52.3	66.1	56.8	52.2	52.3	51.7
ECA	38.3	37.7	34.0	32.5	32.8	41.9	39.5	37.7	37.6	37.4	34.6	28.5	27.4	28.0	27.9
LAC	46.3	47.9	46.5	45.5	45.3	61.1	58.5	56.4	55.2	53.9	31.5	34.3	34.6	35.3	34.4
SAS	47.5	44.6	42.9	42.1	42.0	64.0	59.3	58.5	58.6	58.2	29.6	25.3	24.4	24.1	24.5
SSA	50.5	51.0	50.9	50.2	50.1	56.5	57.0	55.4	55.0	55.5	44.5	44.8	45.0	45.2	45.6
DR	55.0	50.7	47.2	45.0	45.0	62.4	56.4	53.6	53.4	53.9	47.2	40.3	38.6	38.7	38.6

Source: ibid.

Table 22. Unemployment rates, total unemployment for the age group (15+), 1990-2011

Country/ Region	Base Yr	Latest Yr	Total		Male		Female	
			Base	Latest	Base	Latest	Base	Latest
Algeria	**2001**	**2008**	27.3	11.3	26.6	11.19	31.4	12.05
Bahrain	**1991**	**2001**	6.4	5.5	5.2	4.1	11.8	10.5
Egypt	**1998**	**2007**	8.2	8.9	5.1	5.9	19.9	18.6
KSA	**2002**	**2008**	5.3	5.1	4.2	3.5	11.5	13.8
Kuwait	**1995**	**2005**	2.1	2.0	2.4	2.0	1.5	1.8
Lebanon	**2004**	**2007**	8.1	9.0	6.9	8.6	7.7	10.1
Morocco	**1990**	**2009**	15.8	10.0	14.2	9.8	20.4	10.5
Syria	**2002**	**2010**	11.7	8.4	8.3	5.7	24.1	22.5
Tunisia	**1997**	**2011**	15.9	18.3	15.5	15	17.3	27.4
UAE	**1995**	**2008**	1.8	4.0	1.7	2.0	2.4	12.0
Yemen	**1994**	**1999**	8.3	11.5	9.3	12.48	3.1	8.2
GCC			4.5	4.6	3.6	3.0	8.9	11.6
LDC			8.3	11.5	9.3	12.5	3.9	8.2
Maghreb			22.3	11.9	21.7	11.2	24.4	14.3
Mashreq			9.0	8.9	5.9	6.0	20.0	18.7
AC			12.2	9.3	10.4	7.7	18.9	15.5

Source: Kilmnet and UN Data and National Institute for Statistics for Tunisia

Table 23. Unemployment rates, total unemployment for the age group (15-24), 1990-2011

Country/ Region	Base Yr	Latest Yr	Total		Male		Female	
			Base	Latest	Base	Latest	Base	Latest
Algeria	**2001**	**2008**	47.8	23.8	48.8	23.5	49.9	25.4
Bahrain	**1991**	**2001**	25.4	20.1	22.4	17.2	33.9	27.0
Egypt	**1998**	**2007**	23.1	24.8	15.8	17.2	42.8	47.9
KSA	**2002**	**2008**	28.1	29.3	25.2	24.1	39.1	50.0
Kuwait	**1995**	**2005**	13.2	11.3	15.6	11.8	7.6	10.0
Lebanon	**2004**	**2007**	20.9	22.1	20.3	22.3	19.0	21.5
Morocco	**1990**	**2009**	31.1	21.9	30.9	22.8	31.6	19.4
Syria	**2002**	**2010**	26.3	19.1	21.4	13.1	38.9	49.1
Tunisia	**1997**	**2011**	31.9	42.3	33.3	43.2	29.0	18.0
UAE	**1995**	**2008**	6.3	12.1	6.4	7.9	5.7	21.8
Yemen	**1994**	**1999**	17.9	19.9	20.2	20.7	9.8	17.3
GCC			22.8	23.3	20.8	19.4	29.9	35.9
LDC			17.9	19.9	20.2	20.7	9.8	17.3
Maghreb			41.0	25.5	42.1	25.5	37.6	25.5
Mashreq			24.0	23.7	17.7	17.0	40.6	45.9
AC			29.2	23.8	26.4	20.4	37.0	35.2

Source: ibid
Note: For Algeria and Tunisia, share of male and female of total labour force and employed for latest year available was used to estimate the youth unemployment rate by gender for 2008 and 2011 respectively.

Table 24. Projected number of jobs required under the different scenarios in 2015, 2020 and 2030

Country/ Region	Year	Unemployment Rate	LFPR	Labour Force	No. of Unemployed	No. of Employed	Working-Age Pop.	Scenario (1)			Scenario (2)			Scenario (3)		
								2015	2020	2030	2015	2020	2030	2015	2020	2030
Algeria	**2007**	11.3	58.3	14,486	1,637	12,849	24,835	921	2,005	4,110	2,777	4,024	6,366	3,757	6,157	10,740
Bahrain	**2001**	5.5	65.4	314	17	296	480	38	83	143	63	110	173	103	199	327
Egypt	**2008**	9.4	48.8	27,411	2,573	24,838	56,183	2,119	5,012	10,658	5,004	8,227	14,403	8,629	16,801	32,636
Jordan	**2004**	12.9	49.3	2,040	263	1,777	4,139	169	525	1,197	475	940	1,699	761	1,829	3,729
KSA	**2008**	5.0	54.6	9,234	461	8,773	16,912	1,037	2,293	4,445	1,592	2,910	5,169	3,427	6,967	13,033
Kuwait	**2005**	2.0	69.4	1,428	28	1,400	2,059	141	311	587	176	349	630	287	595	1,093
Lebanon	**2007**	9.0	45.4	1,391	125	1,266	3,064	86	148	204	227	295	356	378	553	710
Mauritania	**2000**	20.6	68.5	1,030	212	818	1,505	149	351	776	471	715	1,227	584	982	1,816
Morocco	**2008**	10.0	52.3	11,982	1,199	10,783	22,910	714	1,455	2,728	2,030	2,868	4,268	3,079	5,006	8,277
Syria	**2007**	8.4	50.3	6,624	558	6,066	13,166	853	1,291	2,368	1,577	2,052	3,220	2,343	4,894	11,174
Tunisia	**2005**	14.2	47.7	3,503	499	3,004	7,344	172	308	511	752	907	1,139	1,029	1,404	1,962
UAE	**2008**	4.0	77.6	2,813	113	2,700	3,626	259	593	1,189	392	740	1,360	618	1,256	2,396
Yemen	**2004**	15.0	46.6	5,954	893	5,061	12,785	965	2,597	6,084	2,109	4,146	8,156	4,103	9,515	20,732
AC		9.7	52.9	88,210	8,578	79,632	169,009	7,623	16,972	34,999	17,644	28,283	48,167	29,097	56,158	108,627
GCC		4.5	61.1	13,788	619	13,170	23,077	1,475	3,280	6,364	2,222	4,109	7,333	4,435	9,017	16,849
LDC		15.8	49.8	6,984	1,106	5,879	14,290	1,114	2,948	6,859	2,580	4,862	9,383	4,687	10,497	22,548
Maghreb		11.1	54.7	29,971	3,335	26,636	55,090	1,807	3,768	7,349	5,558	7,798	11,773	7,865	12,567	20,980
Mashreq		9.4	49.0	37,466	3,519	33,947	76,552	3,227	6,975	14,427	7,284	11,514	19,678	12,110	24,077	48,250
AC excluding GCC		10.7	51.3	74,421	7,959	66,462	145,932	6,148	13,692	28,635	15,421	24,174	40,834	24,662	47,141	91,777

Source: Authors' estimates based on data from UNSD and Kilmnet, ILO
Notes: This table shows the projected number of jobs required under three different scenarios, scenario 1: if to keep unemployment rate constant, scenario 2: if to reach full employment, scenario 3: if to achieve full employment as well as higher female labour participation rate. Using projected rates of growth in working-age population by UNSD and holding constant the labour force participation rate and unemployment rate, we re-estimate the projected increase in the labour force and number of employed to reach the total number of jobs to be created under the aforementioned scenarios (For further details, Abu-Ismail, Abou Taleb, Olmsted and Moheiddin, 2010).

Table 25. Cost of generating new employment in 2015, 2020 and 2030

Country/ Region	Cost of New Job (000)	Cost for Scenario 1 (in billions)									Actual GFCF/ GFP 2009	Share of GFCF/GDP								
		Scenario 1			Scenario 2			Scenario 3				Scenario 1			Scenario 2			Scenario 3		
		2015	2020	2030	2015	2020	2030	2015	2020	2030		2015	2020	2030	2015	2020	2030	2015	2020	2030
Algeria	**64**	59	128	262	177	257	406	240	393	686	**38.16**	10.3	11.2	11.5	31.1	22.5	17.8	42.1	34.5	30.1
Bahrain	**680**	26	56	97	43	75	118	70	135	222	**24.04**	30.4	33.1	28.5	49.9	43.9	34.6	82.4	79.3	65.1
Egypt	**36**	77	183	389	182	300	525	315	613	1,190	**18.31**	12.5	14.7	15.7	29.4	24.2	21.2	50.7	49.4	48.0
Jordan	**69**	12	36	82	33	65	117	52	126	257	**28.93**	14.3	22.3	25.4	40.3	39.9	36.0	64.6	77.6	79.1
KSA	**424**	439	971	1,883	674	1,233	2,190	1,452	2,951	5,521	**33.75**	25.3	28.0	27.1	38.9	35.5	31.6	83.7	85.1	79.6
Kuwait	**538**	76	167	315	94	188	339	154	320	588	**15.15**	16.5	18.2	17.2	20.6	20.4	18.4	33.6	34.8	32.0
Lebanon	**310**	27	46	63	71	92	110	117	172	220	**32.12**	19.2	16.5	11.4	50.6	32.8	19.8	84.0	61.5	39.5
Mauritania	**32**	5	11	25	15	23	40	19	32	59	**24.91**	41.3	48.8	53.8	130.8	99.3	85.1	162.2	136.3	126.0
Morocco	**106**	75	154	288	214	303	450	325	528	874	**31.58**	23.0	23.5	22.0	65.4	46.2	34.4	99.3	80.7	66.7
Syria	**30**	25	38	70	47	61	96	70	146	332	**29.33**	14.6	11.0	10.1	26.9	17.5	13.7	40.0	41.8	47.7
Tunisia	**156**	27	48	80	117	141	177	160	219	306	**24.09**	15.2	13.7	11.3	66.6	40.2	25.2	91.1	62.2	43.4
UAE	**662**	171	392	787	260	490	900	409	832	1,586	**39.82**	19.0	21.8	21.8	28.8	27.2	25.0	45.4	46.1	44.0
Yemen	**20**	19	51	120	42	82	161	81	187	408	**13.98**	18.0	24.3	28.4	39.4	38.8	38.1	76.7	89.0	96.9
AC	133	1,038	2,283	4,463	1,969	3,308	5,630	3,464	6,653	12,249	30.60	19.3	21.2	20.7	36.6	30.7	26.1	64.3	61.8	56.9
GCC	490	712	1,588	3,083	1,071	1,985	3,547	2,085	4,238	7,917	32.52	22.4	25.0	24.2	33.7	31.2	27.9	65.6	66.6	62.2
LDC	21	24	63	145	57	105	200	100	219	467	15.07	20.4	26.7	31.0	48.6	44.8	42.8	85.3	93.7	99.8
Maghreb	91	161	330	630	509	701	1,034	725	1,140	1,865	33.85	15.0	15.4	14.7	47.4	32.7	24.1	67.6	53.1	43.4
Mashreq	47	141	303	605	333	517	848	554	1,056	2,000	22.95	13.9	14.9	14.9	32.8	25.5	20.9	54.6	52.0	49.3
AC excluding GCC	62	326	695	1,380	898	1,323	2,083	1,379	2,415	4,332	27.84	14.8	15.8	15.6	40.7	30.0	23.6	62.5	54.8	49.1

Source: ibid.

Table 26. Overview of social security programmes in some Arab countries

Country	Old age	Survivors	Disability	Emploment Injury	Sickness	Medical Care	Maternity	Unemployment	Family	Social Assistance
Algeria	SI	SI	SI	SI	SI	SI	SI	SI	TF	SN
Bahrain	SI	SI	SI	SI	...	...	-a	...	...	SN
Egypt	SI	SI	SI	SI	SI	SI	SI	SI	...	SN
Iraq	SI	SI	SI		...	...	...	...	...	SN
Jordan	SI	SI	SI	SI	...	...	-a	...	...	SN
KSA	SI		SI	SI	-a	-a	-a	...	...	...
Kuwait	SI	SI	SI	SI	...	...	...	...	...	SN
Lebanon	OI		OI	-a	SI	SI	...	SI	SI	SN
Libya	SI	SI	SI	SIa	SI	SI	-a	-a	...	...
Morocco	SI	SI	SI	-a	SI	SI	...	-	SI	SN
Oman	SI	SI	SI	SI	...	...	...	...	...	...
Sudan	SI	SI	SI	SI	-	-	...	-	...	...
Syria	SI		SI	SI	...	...	...	...	...	...
Tunisia	SI	SI	SI	SI	SI	SI	SI	SN	SI	SN
UAE					...	...	...	...	...	...
Yemen	SI	SI	SI	-	-	-	-a		EL	SN

Source: ISSA Observatory Country Profiles as cited in ILO, Report Interregional Tripartite Meeting on the Future of Social Security in Arab states Amman, 6-8 May: Geneva, 2008: 54.
Notes: SI Social insurance, OI Other insurance Arrangement (Pro. Fund etc.), SSA Statuary social assistance (right based), SN Safety-net type programmes (not right based), TF Tax-financed programme, a Employer liability/employer-financed, … Insufficient information.

Table 27. Characteristics of national social security systems in some Arab countries

Country	Civil Servants	Others	Workers with Regular Contracts	Workers in Small Enterprises	Agricultural Workers	Casual Workers	Domestic Workers	Non-Citizen Workers	Self-employment/	Social Assistance
Algeria	Yes	Yes a	Yes	Yes	Yes	Yes	Yes	Yes c	Yes	Yes
Bahrain	Yes	Yes	Yes	Yes	Partial	-	-	-	Vol.	Vol.
Egypt	Yes	Yes	Yes	Yes	Yes c	Yes c	Yes c	Yes c	Vol.	…
Iraq	…	…	…	…	…	…	…	…	…	…
Jordan	Yes	Yes a	Yes	-e	-g	-	-g	yes	Vol.	Vol.
Kuwait	Yes	Yes	Yes	Yes	Yes	…	…	no	Vol.	…
Lebanon	Yes d	Yes b/d	Yes	Yes	Yes	-	Yes	Partial	no	…
Libya	Yes	Yes a	Yes	Yes	Yes	Yes	Yes	Yes	Yes	…
Morocco	Yes	Yes	Yes	Yes	Yes	…	…	…	Partial	…
Oman	Yes	Yes	Yes	Yes	-	-	-	-	-	Vol.
OPT	…	…	…	…	…	…	…	…	…	…
Qatar	…	…	…	…	…	…	…	…	…	…
KSA	Yes c	Yes a	Yes	Yes	-		-	-	Vol.	Vol.
Sudan	Yes	Yes	Yes	Yes	-	-	-	…	Yes	…
Syria	Yes c	Yes a	Yes	Yes	Yes	Yes	Yes	-	Yes	Vol.
Tunisia	Yes c	Yes	Yes	Yes	Yes	Yes	Yes c	-	Yes e	Vol.
UAE	…	…	…	…	…	…	…	…	…	…
Yemen	Yes	Yes	Yes	Yes	-	-	-	Yes	-	…

Source: Based on US Social Security Department, Social security programmes throughout the world, 2005–2006, ISSA, Social Security Worldwide Database and online information from national governments as cited in Ibid.
Notes: a Special system for police and/or armed forces. – not covered, b Special system for teachers,
… Insufficient information. c special system for this category of workers, d Special system for all public sector workers, e Excluded are workers in enterprises with less than 5 employees.
excluded for foreign military, political and international missions. g Covered by law, but not applied in practice.

Table 28. Summary of key public employment programmes

Country	Context & Origins	Focus and Scope*	Activities	Institutional Design	Funding
India (NREGA)	Widespread rural poverty with inadequate livelihoods opportunities NREGA enacted by legislation in 2005; operational in 2006. Rights based frame-work making the government legally accountable for providing work	All rural HHs who volunteer to do unskilled manual work for statutory minimum wage are entitled to 100 days of work /financial year; this can be divided among adult HH members. In FY 08-09, 45 million households benefited; 2.163 billion person days of work were created in 615 districts A 60:40 wage and material ratio has to be maintained. No contractors or use of machinery is allowed.	Objective: to create durable assets and strengthen the livelihood resource base of the rural poor through works that address causes of chronic poverty like drought, deforestation and soil erosion. Focus: Nine areas, including water conservation, natural resource management and rural infrastructure.	Nodal ministry: Ministry of Rural Development; advisory role for Employment Guarantee Councils at the central and the state levels; village Gram Panchayats responsible for the selection, planning and execution of works and registering and working with applicants. The DPC at the district level and PO at the block level responsible for planning works to match the demand; NREG Act provides for an institutional framework for social audits for transparency/ accountability.	The central government covers wage costs, 3/4 of material and a% of administration costs. The state government covers 1/4 of material costs, the administration costs of state council and the costs of paying an unemployment allowance if work is not provided within 15 days of being requested.
South Africa (EPWP 2) Also see CWP	Extremely high rates of structural unemployment, legacy of poorly skilled workforce, high youth unemployment Phase I of EPWP was launched in 2004 and Phase 2 in April 2009	All unemployed willing to work at wage rate offered. No person may be employed for more than 24 months within a 5-year cycle (some exceptions). People selected to work on projects; no centralised registry; duration of employment varies by project/sector but, on average, assumed to be 100 days EPWP II provides new targets to lengthen the duration of jobs created. Target: 2 million FTE jobs by 2014 (4.5 million people)	Infrastructure for basic services and social services (child care and home- and community-based care, environmental rehabilitation, conservation and management). For new approach in the context of EPWP II, see Government of South Africa (2008)	All government departments, municipalities and parastatals are required to take steps to increase employment creation in their infrastructure programmes, where technically and economically feasible. Dedicated centralized structures at the national level, integrated with technical line ministries or local governments; EPWP II also allows for the non-state sector to implement (i) area-based and (ii) institutional programmes.	Conditional grants to provinces and municipalities for infrastructure or services to be provided Wage incentive to complement grants and encourage use of local government's own funds
Argentina (Jefes y Jefas de Hogar)	Launched in April 2002 to mitigate the unemployment impacts of the economic crisis; Scaled down after 2003, as workers moved to other jobs, lost eligibility or were shifted to other programmes	Eligibility: heads of households that contain children under the age of 18, persons with disabilities, or a pregnant woman. Work is provided for a maximum of 20 hrs./week at a monthly wage of 150 pesos (about ½ of the mean HH income/ capita/month in 2002). At its peak, employment for 2.2 million people (22% of the economically active population)	Community services (child care, community kitchens, health projects) and projects (public building maintenance, housing construction and repair, small productive projects); formal schooling; training programmes; administrative work	The federal government is responsible for funding, general guidelines for project execution and management support (through Ministry of Labour and through GECAL, e.g., national registry of beneficiaries, project databases) Municipalities responsible for assessment of needs and community resources and projects proposed and outreach to beneficiaries	Dedicated funds including through a shift from other safety nets that were eliminated or reduced Federal government funds a maximum of 80% of project costs; additional non-wage costs to be covered by local governments, NGOs or communities
Ethiopia (PSNP)	Food shortages for large parts of the rural population; PSNP launched in 2005 initially as a 5-year programme to target previous recipients of food aid and newly vulnerable HHs.	Target: 7-8 million rural Ethiopians either through PWs (80-90%) for 6 months/ year or Direct Support (10-20%) to HHs with no labour. Eligibility: HHs facing more than 3 months a year of food insecurity year after year. HHs entitled to a minimum of 5 days/person in the HH.	Address underlying causes of food insecurity Focus on developing sustainable community assets and improving natural resource base and social infrastructure and watersheds	Funding and oversight centralised through Ministry of Rural Development Strong community participation in identifying activities and assets required; implementation through local districts. Community committees propose which households are to participate in public works vs. which receive direct transfers.	Supported by a consortium of donors: Government of Ethiopia provides in-kind support: project management staff, office space, etc.

Source: Radhika Lal, Steve Miller, Maikel Lieuw-Kie-Song, Daniel Kostzer, 2010

Table 29. Outlays by functions (percentage of GDP), 2000-2009

A) Egypt				**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Total outlays				25.4	25.3	24.9	25.0	29.7	26.9	31.5
General public services				6.7	6.7	7.1	7.5	7.2	6.7	8.0
Defence				3.4	3.2	3.0	2.7	2.6	2.4	2.2
Public order and safety				1.6	1.7	1.6	1.7	1.7	1.5	1.5
Economic affairs				2.4	2.3	2.3	2.2	1.8	1.9	2.1
Environmental protection				0.1	0.2	0.1	0.1	0.1	0.1	0.1
Housing and community amenities				1.4	1.4	1.2	1.1	0.9	1.2	1.5
Health				1.8	1.8	1.7	1.3	1.6	1.4	1.5
Recreation, culture and religion				1.4	1.4	1.4	1.4	1.2	1.2	1.2
Education				5.0	4.9	4.7	4.8	4.2	3.7	3.8
Social protection				1.9	1.9	2.3	2.8	9.0	7.3	9.6
B) Jordan		**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Total outlays		31.2	32.1	32.4	33.0	35.5	39.3	36.7	37.7	31.5
General public services		5.7	6.1	9.9	10.1	15.0	5.4	6.4	6.1	5.1
Defence		5.9	5.6	6.6	7.2	5.3	4.8	4.7	6.3	5.9
Public order and safety		2.9	2.9	2.8	2.9	3.2	3.2	3.1	3.3	3.4
Economic affairs		2.4	2.6	1.2	1.1	1.6	3.2	3.1	2.8	2.7
Environmental protection				1.1	1.2	0.4	0.1	0.1	0.0	0.0
Housing and community amenities		0.5	0.6	0.8	0.8	0.8	0.3	0.3	0.3	1.0
Health		3.2	3.4	3.5	3.4	3.5	3.2	4.1	2.7	3.3
Recreation, culture and religion		0.5	0.5	0.6	0.6	0.6	0.8	0.5	0.3	0.6
Education		5.0	5.2	5.0	4.9	4.7	5.1	4.9	5.2	3.7
Social protection		5.2	5.4	1.0	0.8	0.6	12.9	9.5	10.5	5.7
C) Kuwait			**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Total outlays			40.0	34.7	31.2	26.7	22.7	34.3	27.1	66.9
General public services			2.8	2.9	2.7	2.6	1.9	3.2	3.2	5.7
Defence			6.8	6.4	5.4	4.4	3.5	3.3	3.1	4.3
Public order and safety			3.7	3.2	2.7	2.2	2.1	1.9	1.8	3.3
Economic affairs			4.2	4.0	4.2	4.1	3.7	4.3	4.9	14.3
Environmental protection										
Housing and community amenities			2.3	1.9	1.9	1.9	1.8	2.8	1.9	4.1
Health			2.8	2.4	2.1	1.6	1.5	1.7	1.5	3.8
Recreation, culture and religion			1.1	1.0	0.9	0.7	0.6	0.6	0.6	1.1
Education			4.2	3.7	3.0	2.5	2.1	2.4	2.1	3.9
Social protection			8.6	5.9	4.9	3.8	3.6	9.1	2.8	25.7
D) Qatar						**2004**	**2005**	**2006**	**2007**	**2008**
Total outlays						31.3	32.8	32.4	33.1	27.0
General public services						13.5	15.2	13.0	13.5	9.6
Defence						2.4	2.1	1.9	2.0	2.2
Public order and safety						1.7	1.5	1.5	1.8	1.3
Economic affairs						4.7	4.5	6.6	7.8	6.5
Environmental protection						0.1	0.1	0.1	0.1	0.1
Housing and community amenities						0.0	0.0	0.0	0.0	0.0
Health						2.6	2.3	1.8	1.5	1.6
Recreation, culture and religion						3.7	4.2	5.4	4.1	2.3
Education						2.6	3.0	2.1	2.1	3.4
Social protection						0.1	0.0	0.0	0.1	0.2
E) Tunisia	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Total outlays	26.5	26.5	26.6	25.7	25.8	25.7	25.1	24.8	26.0	26.1
General public services	6.1	5.8	5.3	5.1	5.1	5.0	4.8	4.5	4.3	5.2
Defence	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.4	1.4	1.3
Public order and safety	2.5	2.5	2.6	2.5	2.5	2.4	2.3	2.2	2.2	2.2
Economic affairs	5.4	5.7	5.7	5.3	5.4	5.7	5.5	6.1	7.4	6.2
Environmental protection					0.3	0.4	0.5	0.4	0.4	0.5
Housing and community amenities	1.6	1.6	1.7	1.5	1.4	1.1	0.9	1.0	1.2	1.1
Health	2.0	1.9	1.9	1.8	1.7	1.7	1.7	1.5	1.5	1.6
Recreation, culture and religion	1.0	0.9	0.8	0.9	1.0	0.9	0.8	0.8	0.8	0.9
Education	5.8	6.0	6.5	6.5	6.4	6.4	6.5	6.4	6.3	6.6
Social protection	0.4	0.4	0.5	0.5	0.5	0.6	0.5	0.5	0.6	0.6

Source: IMF, GFS

Table 30. Economic classification of expenditures (percentage of GDP), 2007-2010

Type of Expenditure	Qatar				Yemen				Egypt			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
Total Expenditure	29.5	28.4	34.2	0.0	38.6	41.7	29.6	28.4	31.5	33.8	27.4	28.8
Current Expenditure	17.7	18.9	22.5	0.0	31.4	34.6	23.6	22.4	27.7	29.6	24.3	26.1
Wages and salaries	5.2	5.4	6.7	0.0	10.9	10.4	9.7	8.9	7.0	7.3	7.4	7.1
Interest payment	0.6	0.5	0.8	0.0	2.2	2.2	2.6	2.6	5.6	5.1	6.0	5.9
Goods and services	9.2	11.4	12.9	0.0	3.9	3.0	2.8	2.9	2.1	2.4	2.3	2.4
Subsidies and transfers	0.0	0.0	0.0	0.0	12.3	18.1	7.6	7.0	10.3	12.2	6.2	8.3
Others	2.7	1.6	2.1	0.0	2.0	1.0	1.0	1.0	2.7	2.6	2.4	2.4
Capital Expenditure	11.8	9.5	11.7	0.0	7.2	7.1	6.0	6.0	3.8	4.2	3.1	2.7
Type of Expenditure	Libya				Jordan				Lebanon			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
Total Expenditure	35.3	39.3	55.9	49.1	37.2	33.2	33.2	29.2	35.2	34.7	37.5	34.1
Current Expenditure	14.1	15.4	28.2	25.3	31.0	27.8	25.7	24.3	32.8	33.0	34.6	31.4
Wages and salaries	8.4	6.8	11.3	10.2	4.8	4.5	4.3	4.3	9.5	9.2	11.3	11.3
Interest payment	0.0	0.0	0.0	0.0	3.0	2.3	2.2	2.3	12.5	11.4	12.7	13.1
Goods and services	0.0	0.0	0.0	0.0	2.9	3.7	3.7	1.8	0.5	0.6	0.6	0.5
Subsidies and transfers	2.4	6.1	12.4	11.2	10.7	7.9	6.2	7.0	2.2	1.5	1.8	1.6
Others	3.4	2.5	4.4	4.0	9.5	9.4	9.2	8.8	8.0	10.2	8.2	4.9
Capital Expenditure	21.1	23.9	27.7	23.8	6.2	5.4	7.5	4.9	2.4	1.7	2.9	2.7
Type of Expenditure	UAE				Algeria				Sudan			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
Total Expenditure	21.9	26.4	34.2	29.8	33.1	38.0	41.4	42.6	26.0	23.3	20.4	21.4
Current Expenditure	19.6	23.1	29.7	26.1	17.8	20.1	22.5	25.9	21.2	20.1	17.6	17.7
Wages and salaries	2.8	3.0	4.0	3.9	6.7	7.5	8.6	11.4	6.8	4.9	5.4	5.4
Interest payment	0.0	0.0	0.0	0.0	0.9	0.6	0.4	0.3	1.0	0.9	1.0	1.3
Goods and services	4.7	5.1	7.3	6.9	1.0	1.0	1.1	1.4	2.1	2.4	1.9	1.4
Subsidies and transfers	4.8	4.3	5.1	4.8	8.1	10.1	11.1	11.5	10.6	11.7	8.4	8.9
Others	7.3	10.7	13.3	10.5	1.1	0.9	1.3	1.3	0.7	0.2	0.9	0.7
Capital Expenditure	2.3	3.3	4.5	3.7	15.3	17.9	18.9	16.7	4.8	3.2	2.8	3.7
Type of Expenditure	Djibouti				Syria				Morocco			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
Total Expenditure	37.7	34.8	36.8	34.7	26.6	23.8	27.4	26.0	28.4	31.3	31.1	30.7
Current Expenditure	26.5	24.4	24.5	22.7	17.0	16.6	17.1	16.4	23.9	26.4	26.1	25.4
Wages and salaries	13.8	12.8	12.2	11.7	4.9	4.6	6.1	5.7	10.6	10.6	10.6	10.5
Interest payment	0.4	0.4	0.5	0.6	0.8	0.7	0.6	0.4	3.1	3.0	2.6	2.9
Goods and services	7.0	6.4	6.0	5.3	1.2	1.2	1.1	1.1	0.0	0.0	0.0	0.0
Subsidies and transfers	3.1	3.0	3.4	3.4	4.0	4.9	5.8	5.9	2.6	5.0	4.2	3.2
Others	2.2	1.8	2.4	1.7	6.1	5.2	3.5	3.3	7.6	7.8	8.7	8.8
Capital Expenditure	11.2	10.4	12.3	12.0	9.6	7.2	10.3	9.6	4.5	4.9	5.0	5.3
Type of Expenditure	Tunisia											
	2007	2008	2009	2010								
Total Expenditure	26.0	24.7	24.7	24.6								
Current Expenditure	20.1	19.0	18.1	18.0								
Wages and salaries	11.6	10.4	10.7	10.5								
Interest payment	2.6	2.1	2.0	1.9								
Goods and services	1.7	1.6	1.7	1.7								
Subsidies and transfers	4.2	5.0	3.7	3.6								
Others	0.0	0.0	0.0	0.3								
Capital Expenditure	5.9	5.8	6.6	6.6								

Source: IMF, Countries' Article IVs

Table 31. Gross national savings (percentage of GDP), in 1990-2000, 2001-2011 and projections in 2011

Country/ Region	2011 (projections)	1990-2000	2001-2011
Algeria	56.6	29.2	50.0
Bahrain	40.3	14.9	32.0
Djibouti	17.2	8.5	19.3
Egypt	15.3	22.0	19.5
Jordan	15.8	22.7	19.9
KSA	43.5	14.3	38.4
Kuwait	48.4	5.2	47.0
Lebanon	14.6	15.0	13.2
Libya	n/a	23.4	59.6
Mauritania	20.8	15.2	18.2
Morocco	29.6	26.1	31.0
Oman	45.6	15.4	34.6
Qatar	60.5	13.7	56.9
Sudan	16.3	2.1	11.9
Syria	20.0	24.3	18.7
Tunisia	19.0	21.4	21.2
UAE	29.4	31.4	28.3
Yemen	8.3	20.2	15.7
AC	38.3	23.2	35.2
Oil-rich countries	42.3	19.9	38.7
Oil-poor countries	18.3	21.7	20.3
Newly industrialized Asian economies	33.0	34.2	32.2
Emerging and developing economies	34.2	22.8	30.6
Developing Asia	45.7	31.6	40.5
Latin America & Caribbean	20.8	18.2	20.9
Sub-Saharan Africa	22.3	15.6	19.8

Source: IMF, WEO

Table 32. Revenue to GDP (percentage of GDP) and GDP per capita in 2000-2003 and 2006-2010

Country name	2000-2003		2006-2010	
	Average GDP per capita-B	Average Revenue- B	Average GDP per capita-L	Average Revenue- L
Algeria	7.91	36.32	8.08	41.02
Bahrain	9.67	33.28	9.96	28.42
Comoros	6.45	17.77	6.43	22.48
Djibouti	6.74	29.36	6.88	38
Egypt	7.04	25.36	7.28	27.76
Jordan	7.59	29.96	7.9	28.45
KSA	9.43	40.05	9.53	52.82
Lebanon	8.5	18.83	8.72	24.15
Libya	8.77	42.06	9.01	66.92
Mauritania	6.29	26.6	6.58	24.62
Morocco	7.44	22.83	7.66	28.43
Oman	9.34	47.26	9.53	44.94
Qatar	10.75	37.71	11	37.67
Sudan	6.65	10.97	6.99	19.36
Syria	7.23	27.58	7.38	21.31
Tunisia	7.83	27.09	8.1	28.89
UAE	10.21	29.72	10.57	33.68
Yemen	6.67	33.76	6.78	31.63

Source: ibid.

Table 33. Total debt to GDP (percentage of GDP) and GDP per capita in 2000-2003 and 2006-2010

Country	2000-2003		2006-2010	
	Average LN GDP pc	Average Debt/GDP-B	Average LN GDP pc6	Average D-GDP-L
Bahrain	9.69	32.07	9.94	21.05
Comoros	6.46	98.51	6.44	62.93
Djibouti	6.75	66.08	6.86	60.08
Egypt	7.05	107.86	7.26	84.67
Jordan	7.6	99.08	7.88	66.01
KSA	9.44	89.95	9.53	18.73
Kuwait	10.14	32.14	10.42	11.59
Lebanon	8.51	158.26	8.69	163.18
Libya	8.79	34.44	9.01	0.21
Mauritania	6.29	250	6.59	94.23
Morocco	7.46	68.4	7.65	52.48
Oman	9.34	21.14	9.5	7.48
Qatar	10.74	48.57	10.96	16.68
Sudan	6.68	161.27	6.97	80.49
Syria	7.23	124.27	7.37	37.24
Tunisia	7.85	66.82	8.08	45.21
UAE	10.22	5.15	10.56	15.45
Yemen	6.68	59.14	6.78	42.16

Source: ibid

Table 34. Correlation between the HDI and broader dimensions of human development in 2010, inequality in human development (%loss), 2010

Country	HDI 2010	Inequality in HDI (% loss)
Tunisia	0.683	25.2
Jordan	0.681	19.2
Egypt	0.620	27.5
Syria	0.589	20.8
Morocco	0.567	28.1
Yemen	0.439	34.2
Mauritania	0.433	35.1
Comoros	0.428	43.9
Djibouti	0.402	37.3

Source: Authors' estimates based on HDR 2010

Table 35. Trends in democracy, by HDI level and overall, 1971–2008

Year	Very high HDI countries	High HDI countries	Average	Medium HDI countries	Low HDI countries
1971	78	33	29.5	18	0
1976	81	30.5	28	18	0
1981	85	35	33	20	3
1986	84	50	40	28	3
1991	90	66	50	44	0
1996	90	69	55	50	14
2001	90	70	59	49	30
2006	90	70.5	60	50	31
2007	90	70.5	60	50	31
2008	90	70.5	61	55	31

Source: ibid.

Table 36. GDP per capita versus rule of law, government effectiveness and regulatory quality estimates, 2009

Country Name	GDP per capita	Rule of Law: Estimate	Government Effectiveness: Estimate	Regulatory Quality: Estimate
Algeria	3.87	-0.73	-0.59	-0.94
Bahrain	4.51	0.51	0.62	0.78
Djibouti	3.31	-0.65	-0.91	-0.6
Egypt	3.70	-0.03	-0.3	-0.14
Iraq	3.50	-1.83	-1.26	-1.04
Jordan	3.71	0.38	0.28	0.36
KSA	4.34	0.12	-0.09	0.22
Lebanon	4.04	-0.64	-0.67	-0.07
Libya	4.18	-0.75	-1.12	-1
Mauritania	3.26	-0.84	-0.9	-0.66
Morocco	3.60	-0.16	-0.11	-0.01
Oman	4.37	0.68	0.65	0.66
Qatar	4.92	0.96	1.13	0.62
Sudan	3.29	-1.34	-1.32	-1.25
Syria	3.63	-0.47	-0.61	-1.07
Tunisia	3.87	0.22	0.41	0.1
UAE	4.73	0.52	0.93	0.56
Yemen	3.35	-1.15	-1.12	-0.6

Source: WDI

Table 37. Date and type of national level elections in Arab countries, 2009-2010

Date	Country	Type of Election
12.29. 2009	Algeria	Parliamentary Elections: renewal of ½
12.03. 2009	Yemen	Parliamentary Elections: to fill 12 vacated seats
10.25. 2009	Tunisia	Presidential
10.25. 2009	Tunisia	Parliamentary Elections: Chamber of Deputies
10.02. 2009	Morocco	Parliamentary Elections: 1/3 of House of Councilors
06.25. 2009	Kuwait	Local elections
06.07. 2009	Lebanon	Parliamentary Elections: national assembly
05.16. 2009	Kuwait	Parliamentary elections: national assembly
04.09. 2009	Algeria	Presidential elections
01.31. 2009	Somalia	Presidential elections
11.28. 2010	Egypt	Parliamentary elections: People's Assembly
11.09. 2010	Jordan	Parliamentary elections: National Assembly
06.01. 2010	Egypt	Shura Council
10.30. 2010	Bahrain	Local elections
10.23.2010	Bahrain	Parliamentary elections: Council of Representatives
10.2010	Lebanon	Local elections: 4 rounds from May 2nd to May 30th
04.11. 2010	Sudan	Presidential elections
04.11. 2010	Sudan	Parliamentary elections: National Assembly
03.07. 2010	Iraq	Parliamentary elections: Council of Representatives
2.2010	Sudan	Parliamentary elections: Council of States