

## **ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA (ESCWA)**

### **MANAGING CHANGE: SOCIAL POLICY FOR ECONOMIC DEVELOPMENT**

In member countries of the ESCWA region, the modernization and preservation of traditions appear to be twin challenges. While the thrust for development always entails a transformation of society, embracing progress without losing track of cultural heritage and cherished values and traditions remains an overarching question for countries in this region.

Development is often measured by economic indicators that point towards changes in the patterns of production, higher levels of income and rates of employment. However, with no improvement in the social indicators that evaluate the quality of and access to social services such as education, health care, electricity and water, development would not meet the expectations of the people.

Further than the quality of social services, development for many people represents a change of social relations and an increase in individual freedom while at the same time maintaining supportive relationships and the ability to participate in the course of society at large. Thus, autonomy and freedom are expected to go hand in hand with social solidarity and communality.

To combine such disparate expectations in a cultural environment that is deeply rooted in customary lifestyles and traditional values, ESCWA member countries are in the process of developing adequate institutions and patterns of communication enabling them to manage their increasingly complex and diverse societies.

#### *(a) A sustainable growth strategy*

Economic growth continues to be the core concern for all countries. While the main objective is to diversify the structure of the economy and to broaden the economic base, the quality of growth and its capacity to generate jobs are moving into the focus of attention. Countries aim at directing investment to those sectors that produce the highest social returns. Pro-poor growth strategies in countries such as Iraq or Palestine are giving attention to the development of the agriculture and manufacturing sectors that are labour-intensive and can assist in creating jobs. Several countries, including Egypt, Iraq and Jordan, have developed separate employment strategies, paving the way towards solving the problem of unemployment and underemployment.

This broader policy orientation stems from the increasing recognition that growth and employment alone will not automatically bring about social development. Kuwait and Oman, for example, explicitly recognize in their development strategies that high rates of economic growth over the past years were not matched by similar development on the social side, and that economic growth must be supported by a parallel growth in social sectors.

*...includes broader investment in people...*

Strong and sustainable social programmes can enhance economic growth and competitiveness by supplying vital social infrastructures such as health care, education, a skilled and knowledgeable workforce, and solid support for families and children. There is increasing awareness that structural inequalities are a

costly economic burden that can be measured in lost productivity, low tax revenues, limited consumption capacity and higher public expenditures on social assistance and care. Through the establishment of reliable and effective social policies, well-performing economies can consequently support economic efficiency through increasing equity.

The fact that economic and social goals are becoming increasingly interconnected requires a new form of horizontal management that is capable of coordinating reforms across interdependent policy domains and levels of governance, each involving a multiplicity of public and private actors.

The vision is to build a society that is competitive and dynamic and at the same time able to produce broad-based social development and greater social cohesion. At the centre of concern is the coordination and integration of economic and social policies, and harmonization of social policy with economic growth.

*...and expanding social protection*

All countries of the ESCWA region recognize that this path requires a fundamentally new approach to the provision of social services and to other aspects of developing their human resources. At present, the majority still lacks comprehensive social protection strategies. Existing policies tend to be institutionally fragmented, financially unsustainable and cover for the most part workers in the public sector and the formal private sector. Of particular concern is the social insurance coverage of the self-employed, informal or contractual workers and women who are more engaged in informal work. Recent estimates suggest that only 30 per cent of the region's labour force is currently enrolled in pension schemes.

However, Jordan and Egypt are gearing towards universal social protection, by extending coverage to larger social groups, including informal workers and the self-employed. In Iraq, a social security policy for women was introduced consequently expanding the social welfare network. Bahrain has recently introduced unemployment insurance and Jordan is contemplating a similar move.

Palestine underlines that longer-term investment in human development is critical towards unfolding the social and economic potential. Qatar explicitly emphasizes the close connection between human development and future economic success. Education in particular is an issue that is taken up by all countries in their visions and strategies. Also, while the specific agenda and priorities differ across the region, equal access to educational opportunities, the quality of educational attainment as well as principally the adjustment of education outputs with labour market requirements are common concerns.

(b) *A new system of governance is needed to correspond to the changing social relations in Arab societies*

From a demographic perspective, Arab States have been changing rapidly over the last decades. In most countries, population has doubled within the past 30 years, life expectancy has increased, fertility rates have declined, and women are redefining their role in the social division of labour.

Rapid urbanization is overstressing the capacity of cities to integrate new residents and leads to the growth of densely populated, crowded areas marked by poverty and social disorganization. It also goes hand in hand with the marginalization of rural and remote areas, thereby breeding social exclusion in parts of the rural population. Internal and external migration is transforming the social structure and limiting the capacity of traditional communities to compensate for the limitation of public safety nets.

All these factors have profoundly changed the manner in which people work and live, in addition to altering social norms and values.

By contrast, the economic and governance systems have not been changing fast enough to keep pace with social transformations. The economic structure in the ESCWA region has changed comparatively slightly against the background of a globalizing world with a rapidly changing world economy. The direct

and indirect dependency on oil remains very high, with both public revenues and private incomes resting on a relatively narrow economic base.

Similarly, the interaction between the State and the private and civil sectors has been slow to adapt to the increasing diversity and growing complexity of modernizing and transforming societies, as well as to the development of institutions that can assist people in managing economic opportunities and lifecycle risks.

Governments across the region struggle to extend adequate social services to the entirety of their populations. Poorer strata in particular depend on remittances as a form of income in addition to a social safety net, but are inadequately protected against the new types of social risks that emerge from changes in the household and family structures that are brought about by migration.

*...which is reflected in the Development Visions and Strategies*

A number of new risks including environmental degradation, the increasing scarcity of land and water, food security, and also risks related to a higher volatility of international financial and commodity markets often challenge the entirety of nations and require the collaboration of the best brains and forces to work out viable strategies.

Development strategies in the ESCWA region reflect the awareness that the traditional State, with its heavy and highly hierarchical mode of governance, is reaching its limits. A new distribution of roles and responsibilities across the public, private and civil sectors is being devised, and a modernization and improvement of core functions of the State is set as an objective.

Confronted with the task of coordinating collective resources for the broader public good, improved governance is regarded as a vital public sector task that serves economic as well as social objectives. Iraq, Lebanon, Palestine, Jordan, the Sudan and the Syrian Arab Republic, in particular, and Kuwait and the United Arab Emirates as well, all highlight improved governance among their main priorities. It entails, in the majority of cases, guaranteeing the separation of powers and the rule of law; improving public sector performance and promoting equity, transparency and accountability in the management of State resources; promoting respect for human rights; and fostering participatory dialogue and enhanced public participation in decision-making. The Sudan places great emphasis on equitable justice; while Egypt addresses improved governance comprehensively to include supporting citizenship by asserting the principles of democracy, community participation, transparency, accountability and equal opportunities.

#### **Good Governance: Examples from Jordan and Palestine**

*Jordan:* “The initiatives included in the National Agenda reflect a clear vision of a set of mechanisms to achieve the following objectives:

- Enhance public participation in the decision making process and strengthen the role of the civil society institutions.
- Guarantee the rule of law and independence of the judiciary.
- Safeguard public safety and national security in accordance with articles of the Constitution.
- Build trust between citizens and institutions and adopt principles of transparency, good governance and accountability.
- Strengthen principles of social justice and equal opportunity.
- Develop human and economic resources, upgrade the production base and expand development benefits.”

*Palestine:* “Good governance: a system of democratic governance characterized by participation of citizens, respect for the rule of law and separation of powers, capable of administering natural resources and delivering public services efficiently, effectively and responsively, and supported by a stable legal framework, a robust legislative process and accountable, honest and transparent institutions which protect the rights of all citizens.”

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*Sources:* The Government of Jordan, *National Agenda (2006-2015): The Jordan we strive for*, p. 4; and the Palestinian National Authority, *Palestinian Reform and Development Plan (2008-2010)*, p. 5.

(c) *A new distribution of responsibilities*

Accordingly, the traditionally dominant role of the State in all spheres of economic and social life is undergoing fundamental changes. The previously deep engagement by the States in the production sphere is giving way to a more liberal market economy that values private sector engagement and adopts a partnership approach to development. Kuwait explicitly sets the objectives of making the private sector lead an economic life and creating an enabling environment for investment and business activity. The Syrian Arab Republic strives for a new delineation of roles that build on the comparative strengths of the public and the private sector. The State is perceived as being responsible for regulation and redistribution, whereas the economy shall be run by the private sector.

*...needs to be developed in partnership with the private and civil sectors...*

Similar to the growing importance of private sector activity in the economic sphere, charitable institutions and non-governmental organizations (NGOs) are increasingly assuming responsibility in the social sphere. Traditionally, social care has become the responsibility of the extended family, but the social transformations that go hand in hand with the decline in agriculture, rural employment and increased migration to the cities lead to a gradual disintegration of extended families and a decline in their capacity to fulfil the conventional functions of solidarity.

Social welfare organizations are growing to fill the gap. Saudi Arabia points out that the total number of people who benefited from the services of NGOs were five times greater than those that were served by the Ministry of Social Affairs. The Syrian Arab Republic expects that increased involvement by the private sector and NGOs will decrease the pressure on government services, and Egypt equally welcomes non-governmental engagement for a variety of social objectives.

States in the region are opening up possibilities for a broader-based participation of all parts of society in the process of development through handing over additional responsibility to the private sector and to civil society organizations. Individual creativity and commitment, private, economic as well as social engagement and investment, can supplement government efforts and reduce the pressure on public budgets and institutional resources.

*...and requires increased responsibility of the State to ensure equity and social inclusion*

In line with this framework, a number of countries have embarked on consultative approaches with partners in the private sector and in civil society, and the critical importance of common engagement is often highlighted.

Ideally, such consultation would lead to an agreement over common values, principles and objectives with the different actors involved in the provision of social services. A growing private sector involvement in the provision of primary education and health care services needs to be set in an equity framework on which all participants can agree. The fact that about 50 per cent of health expenditures in the region comes from private pockets points to a de facto privatization of public services. The development of dual systems of especially education and health care provision where inadequate public services serve the poor and the wealthier turn to better quality private providers increases inter-generational transmission of poverty and exclusion, which goes against the notion of equity and equal value of human life.

Finding ways to include all of society into the development process is a demanding task that requires improved governance systems, an increased capacity of the State to organize the re-distribution of social resources and leverage investment into the productive potential of poor people in often marginalized areas. Success will depend on the extent to which visions can unite all of society around essential goals, and the capacities through which governments can guide towards achieving them.

(d) *Conclusion*

The ESCWA region is experiencing a gradual change in the way countries are approaching social policy. As opposed to regarding development as a technical problem of engineering macroeconomic growth with its social effects trickling down in society, countries are designing a more active role for the State to play in the social realm. Where family and private charities were traditionally regarded as the main actors in social policy, the distribution of roles and responsibilities is changing, and the State needs to take more responsibility for social outcomes. Social policy is slowly moving from the margin towards the centre of political concern, and therefore is being more integrated into the mainstream of national and regional policy.