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ISSUE NO. 6

**DEVELOPMENT POLICY IMPLICATIONS OF
AGE-STRUCTURAL TRANSITIONS
IN ARAB COUNTRIES**



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United Nations
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ABBREVIATIONS AND ACRONYMS

ESCWA	Economic and Social Commission for Western Asia
GCC	Gulf Cooperation Council
GDP	Gross domestic product
IADG	Internationally agreed development goal
ICPD	International Conference on Population and Development
ILO	International Labour Organization
LDC	Least developed country
MDG	Millennium Development Goal
MIPAA	Madrid International Plan of Action on Aging
SDG	Sustainable development goal
SME	Small and medium enterprise
WPAY	World Programme of Action on Youth

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Executive summary

Arab countries are currently undergoing profound age-structural transitions which will have significant implications for their development, both in the short and long term. This is a period when the working-age population (age 15-64) grows faster than the population of children (age 0-14) and older persons (age 65+), shifting the balance of the population to a lower level of dependency. The changing age structure of Arab countries is the result of a significant reduction in infant mortality and a related decline in fertility. Fertility levels are expected to continue to fall, resulting in a smaller cohort of youth entering their productive years when the large working-age population is expected to enter retirement. Thus, the balance of the population will shift back to a higher level of dependency, but instead of the dependent population being made up mostly of children, it will consist of a larger share of older persons than ever before.

As the age-structure shifts towards a higher share of the working-age population and a lower level of dependency, Arab countries have the potential to benefit from a “demographic dividend”, namely increased economic productivity, savings and opportunities for human capital development. However, the demographic dividend is not automatic: it is only by adopting the right economic and social policies, especially through ensuring high-quality education for new entrants to the labour market and enabling them to be productive in the economy, that countries can make the most of this opportunity. Moreover, the opportunity is limited to those years when the population has the lowest rate of dependency. As time passes, the large working age population will become a large population of older persons, a transition that entails a new set of challenges and opportunities for social and economic development. Therefore, Arab countries that have entered the demographic dividend stage, or that will enter it in the coming years, must act quickly to benefit from the age structure of the population before the opportunity passes.

Given the critical and time-bound nature of this opportunity, this report aims to outline economic and social policy reforms to help Arab countries maximize the development benefits of demographic changes. It argues that Arab countries will derive the greatest benefit from the age-structural transitions by adopting a life course approach in analysis and policy. The life course approach considers the transitions and events in people’s lives and the trajectories in which they take place. Where these trajectories are negative, for example in the case of persistent or multigenerational poverty and vulnerability, the State can intervene to try to correct this trajectory in a positive and sustainable manner.

This approach is also relevant from a broader development-planning perspective, as a life course approach enables policymakers to consider the potential of each age group, and the inputs required to help them reach their potential. This will require planning for the economic potential of each age group and the appropriate levels and types of services to respond to the population as it shifts through different life course stages. It will also require considering how demographic changes and other factors affect sources of funding for those services.

This Report analyses the effectiveness of social and economic policies related to age-structural changes to assess the readiness of Arab countries to prepare for and meet the anticipated challenges and to benefit from the opportunities it brings. It finds that thus far, social and economic policies have been ineffective.

In terms of economic policies, Arab countries are struggling to integrate a growing working-age population into the workforce, especially young women, owing to the lack of productive and decent private sector employment. Meanwhile, fiscal policies are not aligned with the new demographic realities emerging in Arab countries. Finally, financial policies are failing to encourage the growing working-age population to save or to channel their savings to productive investments. Thus it is essential to undertake reforms to promote productive employment and to reform fiscal and financial policies with a demographic vision in mind to ensure that Arab countries are able to benefit from the age-structural transitions underway in their countries.

Social policies, particularly rights-based social protection policies that focus on the life course also play an essential role in providing age groups with the inputs to support their varying needs and contributions to development. In Arab countries, however, social protection is neither rights-based nor effective in providing support, as the benefits provided are meagre, poorly-targeted and cover only a fraction of the population. Moreover, those policies are at risk of becoming financially unsustainable as the balance of the population shifts in the coming decades. By adopting a social protection floor approach to widening coverage, taking advantage of the current demographic situation, and reforming the planning methodologies involved in developing social protection systems, Arab countries can provide the necessary support to their populations. The importance of maintaining social solidarity must also be taken into consideration as the roles and expectations of the population are expected to change with the age structure. Arab countries should focus on increasing the participation of all members of society in decision-making at all levels.

This Report also discusses how present and future internationally agreed development goals could provide a framework for action in addressing the development implications of age-structural transitions. Taken together, the different United Nations development frameworks provide guidance on measures to ensure that age-structural transitions support the development efforts of Arab countries. It also argues that various processes feeding into the elaboration of the United Nations development agenda beyond 2015 must take these important demographic changes into consideration.

This Report concludes that the reforms that will enable Arab countries to benefit from the age-structural transition are already well-known. However, the demographic window of opportunity gives them a new urgency as, without these reforms, short-term challenges such as youth unemployment and alienation will persist, while new problems of old-age poverty will be exacerbated in the future. It argues that the Governments of Arab countries must now integrate present and future demographic changes into their development strategies. They must rethink their approach to development to ensure that it is flexible enough to respond to age-structural transitions and to ensure that it serves the needs of different age groups and develops their potential. If Arab countries want to meet this goal they must exchange a “business as usual” approach for transformative changes across economic and social policies.

I. AGE-STRUCTURAL TRANSITIONS IN ARAB COUNTRIES

The countries of the Arab region are currently undergoing profound age-structural transitions which will have significant development implications both in the short and long term. All Arab countries are undergoing a shift from high to low rates of mortality and fertility; as a result, some countries have entered a demographic “window of opportunity” and several others will soon enter this stage. The window of opportunity is a period when the working-age population (age 15-64) grows faster than either the population of children (age 0-14) or older persons (age 65+), shifting the balance of the population from high levels of dependency to high levels of potential workers. This shift in age structure in turn creates the potential for Arab countries to benefit from a “demographic dividend”, namely increased economic productivity, savings and human capital development.

However, the demographic dividend is not an automatic benefit: it is only by adopting the right economic and social policies that countries can make the most of this opportunity. Moreover, the opening of the window of opportunity is time-limited: fertility levels are expected to continue to fall, resulting in a smaller cohort of youth entering their productive years when the large working-age population is expected to retire. Thus, the dependent population will grow again, but instead of this population being made up mostly of children, it will increasingly consist of older persons, bringing a new set of challenges and opportunities for social and economic development in its wake. Therefore, Arab countries that have entered the demographic window of opportunity or will enter it in the coming years must act quickly to benefit from this profound structural change.

Given the critical and time-bound nature of this phenomenon, this Report aims to outline the reforms to economic and social policies needed to help Arab countries maximize its development benefits.

This introductory chapter explores the concept of the demographic window of opportunity. It then outlines the trends in population in the Arab region and the age-structural transitions the region is currently witnessing using a long reference period (1950-2050) and comparable data provided by the 2012 Revision of the World Population Prospects.

A. STAGES OF THE AGE-STRUCTURAL TRANSITION

1. *Decline in the population of children and increase in the working-age population*

It is widely accepted that the first stage in the demographic transition that leads to age-structural transition is the decline in mortality, in particular among infants. The second stage of this transition is the decreasing fertility rate as a result of the increasing likelihood of children surviving into adulthood. Thus the share of children in the population decreases and the share of working-age adults (age 15-64) increases. As the last large cohort of children born before the decline of fertility reaches working age, the demographic window of opportunity opens. Generally, speaking the demographic window of opportunity opens when the proportion of the population under age 15 drops below 30 per cent.¹

This process is underway throughout the world, and the Arab region is no exception, as elaborated in section C of this chapter. As a result, for the coming decades, most Arab countries will have the lowest dependency rates in their histories and the highest share of the population of working age. The size of the labour force will increase and consumption behaviours will change on a micro and macro level. On a micro level, lower birth and infant death ratios lead to fewer children per family, but with an increased expectation of their survival, and a greater capacity to ensure a higher quality of life for those children (in terms of health and education). This facilitates increased investment in human capital formation per child, as the same resources are shared over fewer children, and increased per capita income, as the ratio of producers of wealth to consumers is more favourable, potentially freeing money for saving and investment in productive

¹ Pool, 2012, p. 45.

activities. On a macro level, the aggregation of these trends, particularly the increased size and human capital of the workforce, can mean an increase in domestic sources of capital and reduced pressure on social services such as health care and education.²

Theory and the experiences of other regions indicate that if governments can create enabling environments to reinforce these positive trends, the one-time, time-limited age-structural transition can lead to a “demographic dividend”, potentially accelerating development. In East Asia, between a quarter and a third of the economic growth registered since 1970 can be attributed to the age-structural transition.³ Changes in the age structure of Egypt are estimated to have accounted for one sixth of the growth of national income per capita between 1965 and 1990, while future declines in dependency ratios in Jordan are “estimated to account for half [its] projected per capita growth rate”.⁴ While it is true that some gains from the demographic dividend may accrue in the absence of governmental intervention, for the most part, the demographic dividend remains a potential. Specific action is needed if countries are to derive the greatest development benefits from age-structural changes.

2. Ageing

The need for action is all the more urgent since this window of opportunity is time-limited, and only likely to occur once in a country’s history. Indeed, this first age-structural transition is only one of several demographic changes Arab countries will undergo. The fertility declines which drove the first stage of the age-structural transition are projected to continue into the future. Over time, the relative size of the working-age population will shrink as the large cohorts passing into retirement will be larger than those entering the labour force. Meanwhile the dependent population of older persons will increase in absolute and relative terms, bringing about a second transition to an increasingly-older population.

This change and its implications are not currently a high priority on the policy agenda, as it is perceived as being a distant problem, and older persons are perceived largely as beneficiaries of welfare interventions rather than actors in development. This view, however, does not address the potential positive role older persons can play in development. With the adoption of appropriate policies, the transition to an older population could bring major development benefits to countries. A growing body of theory is considering the potential of the ageing process to provide a second demographic dividend, that would result if people are able to save to prepare for ageing throughout their working lives, thus raising the overall wealth of the population. If measures are in place to enable people to accumulate savings across their working lives, this stage of the age-structural transition can provide further benefits in a financially-sustainable way. Moreover, older persons who have been able to accumulate experience throughout their careers can continue to contribute to development by using their skills to mentor younger people or by participating in voluntary activities. Finally, investment in the increased productivity of the labour force can offset the effects of older persons exiting the labour market. In this case, some realignment of economic, social and health policies and institutions will be required to adapt to the needs and demands of older persons, such as the provision of geriatric care services.

However, if these conditions are not met, then there is a risk of widespread poverty among older persons and unsustainable levels of demand on government health and welfare services. This is particularly critical as the large cohort of youth today will become a large cohort of older persons in the future. If the current generation of youth is unable to fulfil its potential through good quality education and decent employment, then the likelihood of a worst-case scenario of old-age poverty is dangerously high.

² Bloom and others, 2003, p. 42.

³ Dyson, 2010, p. 86.

⁴ Bloom and others, 2003, p. 60.

B. RESPONDING TO AGE-STRUCTURAL TRANSITIONS

1. *The life course approach*

Arab countries can best manage and benefit from the age-structural transitions that are taking place by adopting a life course approach in analysis and policymaking. The life course approach considers the transitions and events in people's lives and the advantages and disadvantages that accumulate over time. The approach also considers the trajectories in which they take place,⁵ and where these trajectories are negative, such as in the case of persistent or multigenerational poverty and vulnerability, the State can intervene to try and correct this trajectory in a positive and sustainable manner.

Social protection systems taking a life course perspective can play a central role in the age-structural transition. Evidence suggests that low-quality informal employment in the region constitutes a lifelong "poverty trap", therefore, an important element of preventing old-age poverty is ensuring that individuals transition from good-quality education to decent, productive employment as early in life as possible. Similarly, a priority for ensuring good nutritional health for older persons is to "promote lifelong healthy and adequate nutrition from infancy".⁶ By taking a life course approach, countries can correct negative trends in life trajectories at an early stage, before they become even more problematic.

This approach is also relevant from a broader development planning perspective, as the life course approach enables policymakers to consider the potential of each age group, and the inputs required to help them reach their potential. The benefits of the different stages of the age-structural transition vary. For example, the initial dividend of an increasingly large working-age population can provide countries with greater financial capital through higher levels of wage-earning (or wage income), thus creating the possibility of more savings and spending on dependents. At later stages of the transition, the greater experience and productivity of an older labour force becomes a critical advantage. However, different forms of support are required for each age group to be able to meet their needs and their development potential: for example, whereas primary and secondary education are required to provide the young with the foundation for their entry in the labour market, youth and working-age populations may require more specific forms of higher and technical and vocational training to remain competitive in the workforce. Meanwhile an increasingly aged population sees a transition in morbidity from communicable to non-communicable diseases, requiring health systems to adapt to these new needs.

Therefore, it is essential to take a life course approach to maximize the development benefits of the coming demographic changes in the Arab region. This will require planning for the economic potential of each age group and the appropriate level and kind of services to respond to the demographic trends and different life course stages. It will also require considering how demographic changes and other factors affect the means of funding for these services. Beyond the implications on public services, however, it is also important to consider other factors, such as political structures, economic policies and gender equality, which have the potential to work with the demographic changes to increase their positive impact on development.

2. *Planning for the transition in the Arab countries*

To date, however, it appears that the countries of the Arab region have not been effective in adopting appropriate life course approaches to react to population shifts and benefit from their potential (box 1). Many young people are unable to find work, while those who do are likely to find only low-paid and vulnerable work in the informal sector. At the other end of the age scale, the picture is scarcely better. Although there are few age-disaggregated data, the effects of inter alia lifelong informal employment, limited social security coverage and gender discrimination mean that older persons and older women, in particular, face vulnerability, poverty and dependence on family members or others as they enter old age. Moreover, although their numbers are growing, older persons are a much smaller sociodemographic group than youth, and therefore their needs have often been ignored in public debate.

⁵ Kulu and Milewski, 2007, p. 568.

⁶ Objective 3 (c) of the Madrid International Plan of Action on Ageing.

Box 1.1. Development policy responses to the age-structural transition: The case of Tunisia

The government of Tunisia is very aware of its age-structural transition, particularly the expansion of the populations of persons of active working age and older persons, and its economic and social impact.^{a/} However, the Government has not taken a positive view of these rapid changes. In fact, although the Government believes that human resources are a key factor for sustainable development, and that youth can meet the future challenges of the country, the main concerns of the Government are the negative consequences of such changes (unemployment and the expenses of an ageing population, considered as economically inactive).

To meet the new challenges of these demographic changes, the State has adopted a specific policy for each age group:

For the population age 15-59, government policy is oriented towards two main axes:

- *Employment*: the State has strengthened its employment policy to increase the capacity of the job market to absorb new entrants into the labour market. The Government has developed several programmes including the following:
 - The Tunisian Solidarity Bank, created in 1997 to enhance access to finance for small and medium enterprises;
 - The National Employment Fund, created in 2000 to promote the economic and social integration of the most vulnerable job seekers;
 - The Fund for Professional Insertion and Adaptation;
 - The Rehabilitation Training Contract.

Despite these efforts the unemployment rate remains high.

- *Reproductive health*: The government has strengthened reproductive health programmes and developed preventive and health education programmes, particularly for young people.^{b/}

Older persons are considered vulnerable. In this regard, Government interventions in their favour, which date back to the 1970s, are based primarily on protection and care programmes. Given the rapid growth of the older population, the Government has strengthened the measures put in place to meet their increasing needs. In 1992, the Ministry of Social Affairs created a division for the Social Protection of Elderly Persons responsible for the programmes specific to this population. In 1994, the Government had already promulgated a law on the protection of older persons that set the broad outlines for ageing policy aiming to achieve the following:

- Ensuring the integration of older persons in their social and family environment;
- Ensuring adequate health and social conditions;
- Increasing life expectancy at birth without disease and disability.

To achieve these goals a number of measures have been developed:

- *Health care*: the Government granted social security coverage to older persons without any other forms of support. Moreover, mobile teams^{c/} were created in 1992 to assist older persons at home.
- *Protection Centres*: These institutions ensure the health and social care of older persons, in particular those without any support.
- *Care at home*: Government interventions aim at awareness-raising among Tunisian families to assume their share of responsibility towards older persons. In fact the law in Tunisia considers that “*the family is responsible for the protection of its elderly members and their needs*”.^{d/}
- *Foster care*: This programme aims to provide older persons who lack any form of support with a family environment to preserve their psychic and emotional well-being.
- *Day clubs*: Day clubs are leisure spaces created to integrate older persons in their social environment and overcome their isolation.

Box 1.1 (continued)

- *Promoting private investment and voluntary action:* The Government has encouraged the creation of voluntary associations and investments for the benefit of older persons. Thus, to promote investment, a training programme for specialized assistants has been implemented.
- *Ensuring active ageing:* The Government has established a national registry of the skills of older persons to take advantage of their intellectual and professional experience.

The ageing policy in Tunisia is based on the main principles of the Vienna International Plan of Action on Aging (1983). However, there is no rigorous evaluation plan to measure the effectiveness of these programmes, although some statistics show Government commitment. For example, the number of recipients of cash assistance at home reached 85,000 persons in 2007, against 1,250 in 1981.

Emerging concerns:

Today, the State seeks to develop measures to reduce the massive losses reported by the pension fund. The review of the retirement age and early retirement age is one of the main issues raised.

a/ Tunisia (2000). *Le dixième plan de développement 2002-2006: Volume 1.*

b/ Ibid.

c/ Mobile teams are a group of medical and paramedical staff and social workers who provide regular home visits to older persons.

d/ Article 2 of Law No. 94-114 of 31 October 1994.

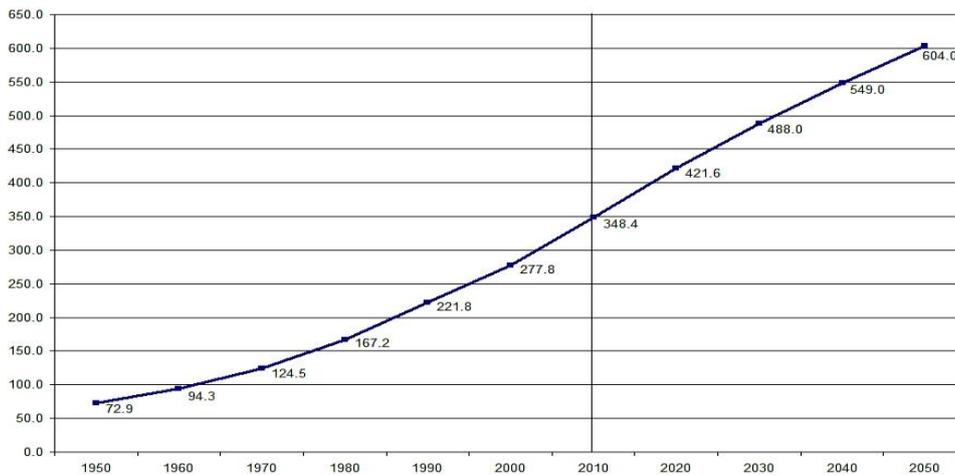
C. POPULATION CHANGE IN THE ARAB REGION

Population size and growth vary widely among Arab countries. A brief description of the population change in the Arab region is given below, while detailed data at the country level are provided in the Appendix.

1. Population size

The population of the Arab region stood at 72.9 million in 1950 making up 2.9 per cent of the global population. Between 1950 and 1990, the population of the Arab region more than tripled reaching 221.8 million, while its share of the global population increased to 4.2 per cent. By 2010, the population of the Arab region reached 348.4 million (5.0 per cent of the global population), while projections suggest that the population of the Arab region will reach 604 million in 2050 (6.3 per cent of the global population) (figure 1.1).

Figure 1.1. Trends in the population of the Arab region, 1950-2050



Source: Prepared by ESCWA using medium variant data from *World Population Prospects: The 2012 Revision*.

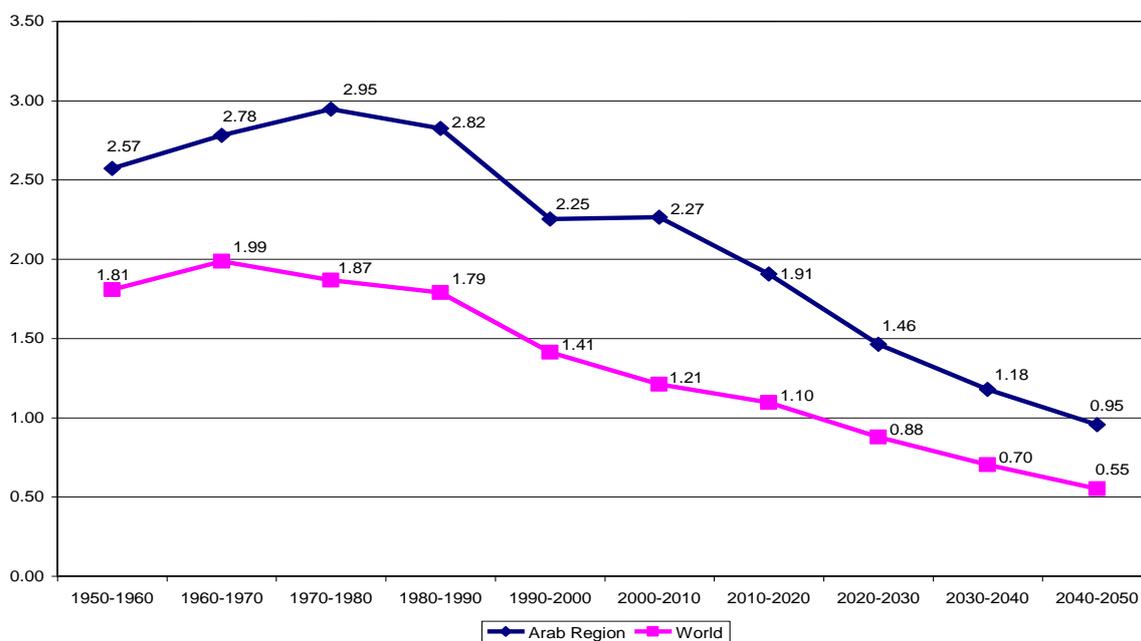
Note: The y axis depicts population in millions.

Population size varies remarkably between the countries of the Arab region. In 2010, the population of Egypt alone amounted for 22.4 per cent of the total population of the region (78.1 million), followed by Algeria (37.1 million, 10.6 per cent of the population of the Arab region); the Sudan (35.7 million, 10.2 per cent); Morocco (31.6 million, 9.1 per cent); Iraq (31.0 million, 8.9 per cent); Saudi Arabia (27.3 million, 7.8 per cent); Yemen (22.8 million, 6.5 per cent); and the Syrian Arab Republic (21.5 million, 6.2 per cent). Hence, more than 50 per cent of the Arab population is concentrated in four countries; Egypt, Algeria, the Sudan and Morocco. Adding in the populations of the four next most populous countries, namely Iraq, Saudi Arabia, Yemen and the Syrian Arab Republic brings the share to 81.8 per cent. Thus the remaining 14 Arab countries account for only 18.2 per cent of the total population of the region. In 2010, Qatar, Bahrain, Djibouti and Comoros together represented 1.3 per cent of the population of the Arab region. By 2050, the population of Egypt is expected to increase to 121.8 million, thus remaining by far the most populous country in the region while Qatar, Bahrain, Djibouti, and Comoros are expected to remain the countries with the smallest population size.

2. Population growth

Population growth in the Arab region is above the world average (figure 1.2). The average population growth rate in Arab countries for the period 1950-1960 was 2.6 per cent, decreasing to 2.3 per cent in the period 2000-2010, and is expected to decrease to 1.0 per cent in the period 2040-2050. Declining population growth is mainly attributed to decreasing levels of fertility. Beneath this overall figure, the population growth rate varies considerably between the countries of the Arab region. Between 2000 and 2010, the average population growth rate was highest in the countries of the Gulf Cooperation Council (GCC),⁷ specifically Qatar (10.8 per cent), the United Arab Emirates (10.3 per cent), Bahrain (6.3 per cent) and Kuwait (4.5 per cent) and Saudi Arabia (3.0 per cent). The lowest growth rates were registered in Egypt (1.7 per cent), Algeria (1.6 per cent), Libya (1.5 per cent), Djibouti (1.4 per cent), Tunisia (1.1 per cent) and Morocco (1.0 per cent). The high rate of population growth in GCC countries is mainly attributed to labour migration while large refugee flows have also accounted for a significant part of the population growth in Jordan (3.0 per cent).

Figure 1.2. Population growth rate of the Arab region and the world, 1950-2050



Source: Prepared by ESCWA using medium variant data from *World Population Prospects: The 2012 Revision*.

⁷ The GCC countries are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

D. DEMOGRAPHIC OVERVIEW OF AGE-STRUCTURAL TRANSITIONS
IN THE ARAB REGION

The application of the life course approach to age-structural transitions considers the national population according to five broad age groups: the below age 5 group represents current or recent fertility; the 5-14 age group represents childhood; the 15-24 age group represents youth; the 25-64 age group represents adults of working age; and the 65+ age group represents older persons. The third and the fourth age groups are usually merged to represent the working-age population age 15-64, although youth are a distinct demographic group and are usually given special attention. This section applies the life course approach to age-structural transitions currently underway in the Arab region.

In the beginning of the study period in 1950, children below age 15 accounted for 40.2 per cent of the total population of the Arab region, while youth (age 15-24) represented 19.4 per cent of the total population. The share of the population below age 25 was thus 59.6 per cent. The 25-64 age group made up just 37.2 per cent of the total population, and the 65+ age group was even smaller, representing only 3.3 per cent of the total population.

The current age structure of the Arab region (based on 2010 data) is still relatively youthful. However, major changes can already be seen: decreasing fertility has caused the proportion of the population below age 15 to decrease from 40.2 to 33.3 per cent between 1950 and 2010. Although the share of the population in the 15-24 age group increased from 19.4 to 19.9 per cent during this period, there was an overall decrease in the proportion of the population under the age of 25 from 59.6 per cent to 53.2 per cent. Meanwhile, the high fertility rates of previous decades in the Arab region have produced a rapidly growing labour force; the share of adults of working age (age 25-64) increased from 37.2 per cent in 1950 to 42.7 per cent in 2010. By contrast, the 65+ population grew more slowly from 3.3 per cent in 1950 to 4.1 per cent in 2010. Thus it is clear that the age-structural transition driven by decreasing fertility has begun in the Arab region.

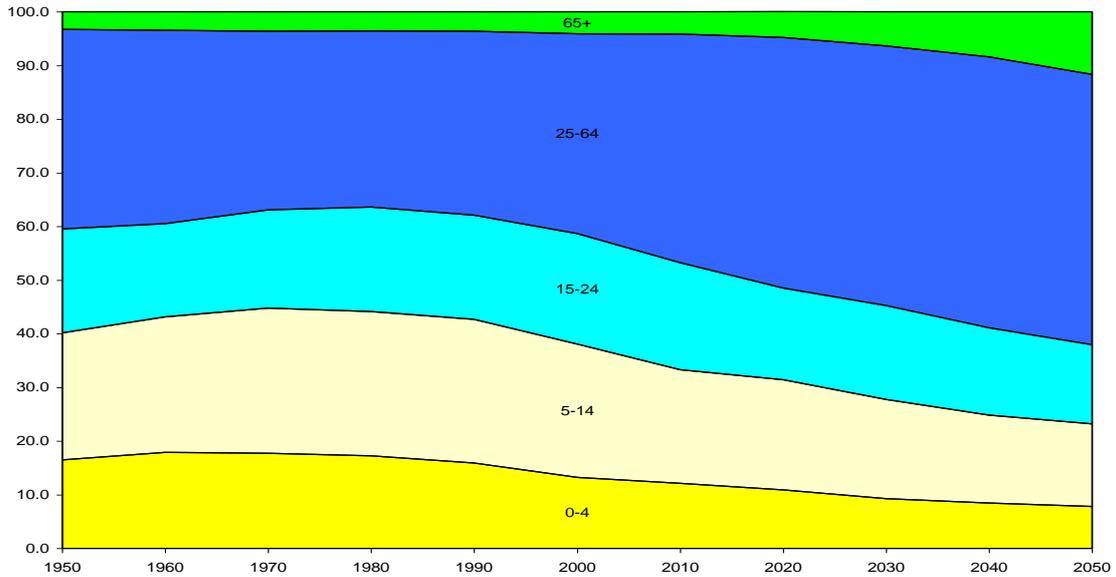
TABLE 1.1. PERCENTAGE DISTRIBUTION OF THE POPULATION OF THE ARAB REGION
BY BROAD AGE GROUP, 1950-2050

Year	0-4	5-14	15-24	25-64	65+	Total
1950	16.5	23.7	19.4	37.2	3.3	100.0
1960	17.9	25.3	17.4	36.0	3.4	100.0
1970	17.7	27.1	18.3	33.3	3.6	100.0
1980	17.2	26.9	19.5	32.8	3.6	100.0
1990	15.9	26.8	19.4	34.3	3.6	100.0
2000	13.3	24.8	20.6	37.3	4.1	100.0
2010	12.1	21.2	19.9	42.7	4.1	100.0
2020	10.9	20.5	17.1	46.7	4.8	100.0
2030	9.3	18.5	17.5	48.4	6.4	100.0
2040	8.5	16.4	16.3	50.5	8.4	100.0
2050	7.8	15.4	14.7	50.4	11.7	100.0

Source: Prepared by ESCWA using medium variant data from *World Population Prospects: The 2012 Revision*.

Note: Details and percentages do not necessarily add up to totals, because of rounding.

Figure 1.3. Population of the Arab region by broad age groups, 1950-2050

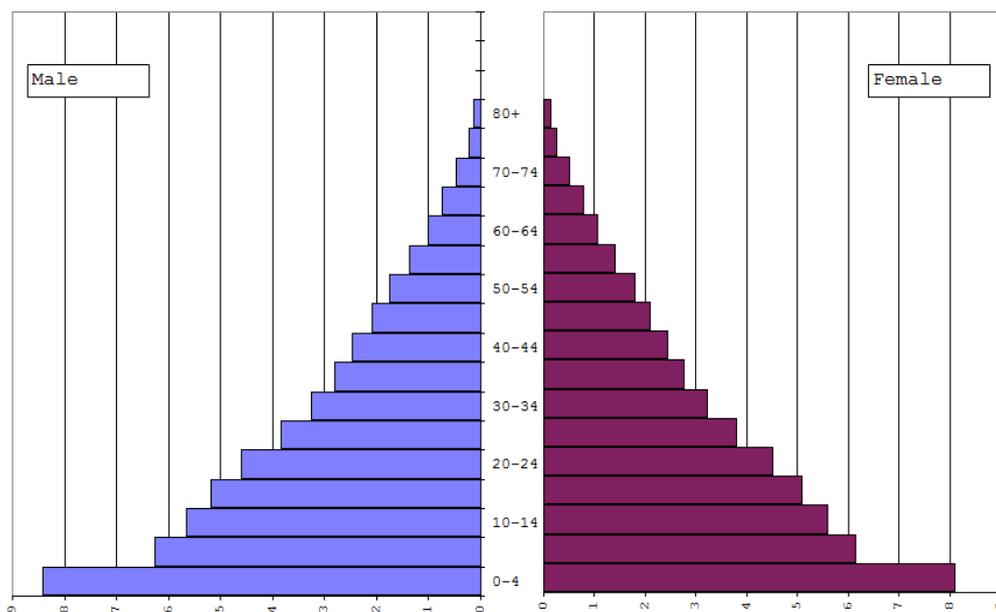


Source: Prepared by ESCWA using medium variant data from *World Population Prospects: The 2012 Revision*.

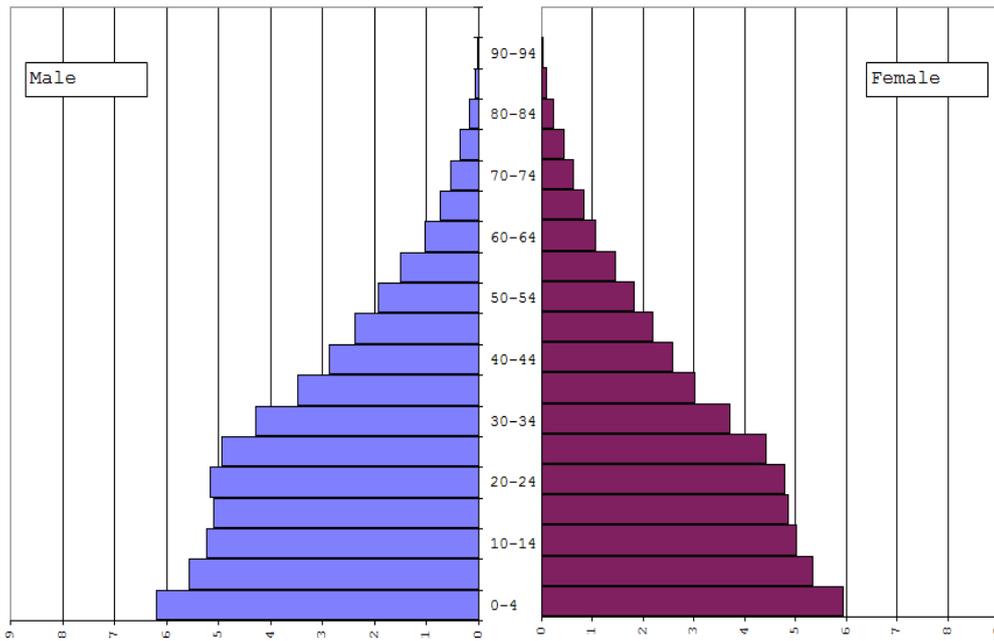
Based on the projected population of the Arab region in 2050, the age structure of the region is expected to witness further change. The population below age 15 is expected to fall further to make up 23.2 per cent of the total population, while the population aged between 15-24 will decrease to 14.7 per cent of the total population, bringing the share of population below age 25 down to 37.9 per cent. The share of adults of working age (25-64) will further increase to 50.4 per cent, while the share of the older population (65+) will increase to 11.7 per cent with an absolute number of about 70.4 million. Population pyramids of the anticipated age-structural transition are shown in figures 1.4a, 1.4b and 1.4c to illustrate the age structure of the population of the Arab region in 1950, 2010 and 2050.

Figure 1.4. Population pyramids of the Arab region, 1950, 2010 and 2050

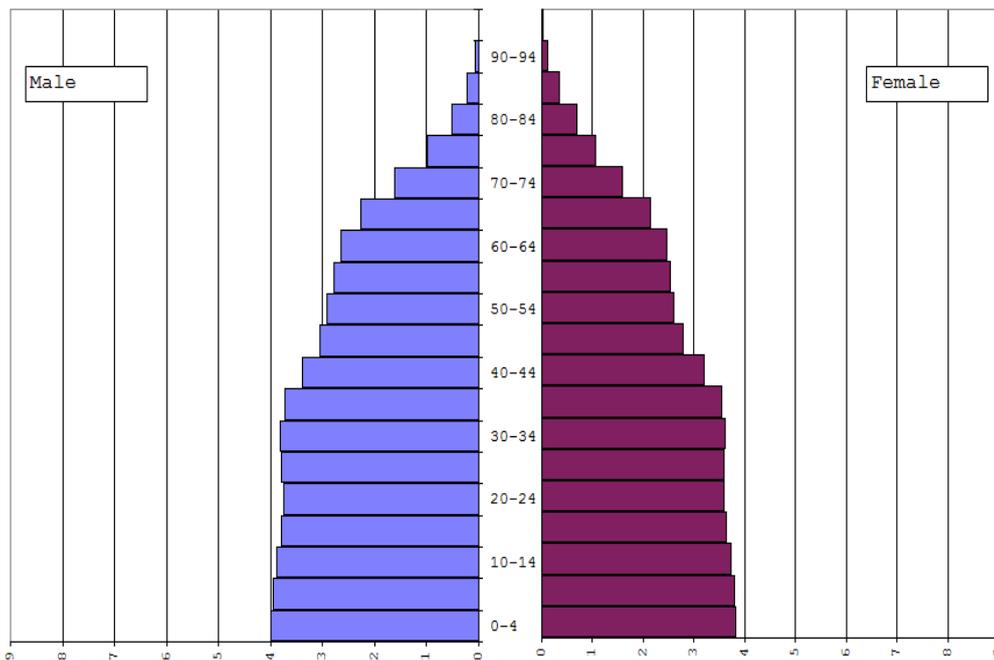
A. 1950



B. 2010



C. 2050



Source: Prepared by ESCWA using medium variant data from *World Population Prospects: The 2012 Revision*.

The age structure of the Arab region varies from one country to another as a result of different historical fertility and mortality levels, as well as international migration. As shown in table 1.2, in 1950, the share of population below age 15 was around 40 per cent in all Arab countries. However, by 2010, this proportion had decreased dramatically in all countries, except Comoros, Iraq and Somalia. Some of the sharpest declines in the percentage of the population below age 15 occurred in Bahrain, Qatar and the United Arab Emirates, with the population below age 15 in the United Arab Emirates decreasing from 42 per cent in 1950 to 13.9 per cent in 2010, mainly due to the immigration of adults of working age to these countries.

The share of the population below age 15 in all Arab countries is expected to decline between 2010 and 2050 with varying rates of change that range between 2.6 per cent in the United Arab Emirates and 18.2 per cent in Yemen.

As for the working-age group, which includes youth aged between 15-24 and adults aged between 25-64, data indicate that the share of youth increased in most Arab countries between 1950 and 2010, except for GCC countries where immigration of adults in the 25-64 age group has reduced the percentage of the youth population, Comoros and Mauritania which still show high fertility rates, and Morocco and Tunisia where fertility rates decreased ahead of other Arab countries. By 2050, the youth bulge which Arab countries are witnessing now is expected to have declined, except for Somalia where youth population is expected to continue to account for 20 per cent of the total population.

Adults of working age (25-64) made up around 35 per cent of the population in all Arab countries in 1950 except for Iraq and Qatar. By 2010, the size of this group had increased to around 45 per cent in many countries. However, the massive scale of immigration to GCC countries drove dramatic increases in the working-age populations of these countries, reaching 70.8 per cent of the total population in Qatar, 63.5 per cent in Bahrain, 62.9 per cent in the United Arab Emirates, and 56.5 per cent in Kuwait. By 2050, the percentage of the active working-age group is expected to have further increased in most Arab countries, with major increases expected in some countries which currently have persistently high levels of fertility such as Iraq, Palestine, Somalia, the Sudan, and Yemen due to expected fertility decline in the future.

Summing up, trends in the two broad age groups of the working-age population (15-64) indicate that all Arab countries witnessed an increase of the share of this group in the total population between 1950 and 2010 except for Comoros, Iraq and Somalia. As mentioned above, GCC countries witnessed a high percentage change due to immigration. The decreasing representation of this age group in the case of Iraq and Somalia, however, may be attributed, in part, to political instability and wars which have led to an outflow of migrants and refugees (box 1.2).

Data indicate that the proportion of older persons (aged 65+) in the total population in 1950 ranged between 1.4 per cent in Mauritania and 7.2 per cent in Lebanon, which mainly reflected variations in life expectancy. At that time, life expectancy at birth in Mauritania was less than 40 years while it was more than 60 years in Lebanon (see Appendix). By 2010, the share of older persons remained low, driven by large increases in the size of working age populations. However, the proportion of older persons had already begun to increase in countries such as Lebanon and Tunisia. However, by 2050 the share of the older persons in the region is expected to surge to 29.1 per cent in Qatar, 25.7 per cent in Lebanon, 24.6 per cent in the United Arab Emirates, and 22.9 per cent in Tunisia. The share is expected to remain low in Somalia (3.4 per cent) and Comoros (5.3 per cent).

In the past few decades, Arab countries have witnessed varying degrees of age-structural transition according to the pace of declining fertility and mortality and increasing life expectancy. The predicted direction of these trends reflects those rates of change. Algeria, Bahrain, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Tunisia and the United Arab Emirates have already entered the demographic window of opportunity. The transition to an older age structure is most advanced in Lebanon, Morocco and Tunisia, and it is expected to continue until 2050. However, Mauritania, Somalia, the Sudan and other Arab least developed countries (LDCs) are expected to witness a slow transition to an older society. The pace of the transition in Iraq and Palestine will fall between those extremes. Finally, GCC countries are expected to transition to an older population with the projected decline in immigration by 2050.

TABLE 1.2. PERCENTAGE DISTRIBUTION OF THE POPULATIONS OF ARAB COUNTRIES BY BROAD AGE GROUP, 1950-2050

Country	Age Group																				
	0-4			5-14			0-14			15-24			25-64			15-64			65+		
	1950	2010	2050	1950	2010	2050	1950	2010	2050	1950	2010	2050	1950	2010	2050	1950	2010	2050	1950	2010	2050
Algeria	15.8	10.7	6.9	24.8	16.4	13.2	40.6	27.1	20.2	19.4	20.8	12.7	36.4	47.4	52.8	55.8	68.1	65.6	3.5	4.7	14.3
Bahrain	17.5	7.2	4.4	24.8	12.7	9.0	42.3	19.9	13.4	19.1	14.6	9.5	35.7	63.5	58.9	54.8	78.1	68.4	2.9	2.0	18.2
Comoros	14.3	16.4	11.2	23.5	25.8	21.1	37.8	42.2	32.3	19.1	18.6	18.5	39.3	36.3	43.8	58.4	54.9	62.3	3.8	2.9	5.4
Djibouti	19.7	12.5	7.8	27.1	21.7	15.9	46.8	34.1	23.7	19.3	22.4	15.1	32.0	39.7	50.8	51.2	62.2	65.9	2.0	3.7	10.4
Egypt	17.3	11.4	7.1	22.0	20.1	14.7	39.3	31.5	21.8	19.0	19.7	14.5	38.6	43.3	51.4	57.7	63.0	65.9	3.0	5.5	12.3
Iraq	14.3	15.1	9.6	23.1	26.1	18.5	37.4	41.2	28.2	17.4	19.8	17.3	42.4	35.6	47.3	59.8	55.4	64.6	2.8	3.4	7.2
Jordan	18.6	13.3	7.3	27.1	21.7	15.0	45.7	35.1	22.3	17.4	19.8	14.6	32.0	41.7	50.4	49.5	61.5	65.0	4.8	3.4	12.7
Kuwait	15.2	9.5	6.7	21.0	15.7	12.7	36.1	25.2	19.4	21.9	16.2	12.4	39.0	56.5	57.1	61.0	72.6	69.5	2.9	2.1	11.1
Lebanon	13.6	6.3	4.4	20.7	17.4	9.0	34.2	23.7	13.4	19.1	20.0	10.1	39.4	47.8	50.8	58.5	67.8	60.9	7.3	8.5	25.7
Libya	15.5	10.7	5.5	23.2	18.8	11.4	38.7	29.4	16.9	18.4	19.3	11.5	37.7	46.7	53.0	56.1	66.0	64.5	5.2	4.6	18.7
Mauritania	17.6	15.3	10.8	26.2	25.2	20.1	43.8	40.6	30.9	19.9	19.6	18.0	34.9	36.7	45.1	54.8	56.3	63.1	1.4	3.1	6.1
Morocco	15.5	9.4	6.7	24.2	18.7	13.4	39.6	28.1	20.1	22.1	19.8	13.2	35.3	47.1	51.5	57.5	66.9	64.7	2.9	5.0	15.2
Oman	17.1	10.5	4.9	25.2	16.9	9.8	42.3	27.4	14.7	18.9	22.4	10.1	35.7	47.7	54.3	54.6	70.1	64.4	3.0	2.5	20.9
Palestine	18.4	14.7	9.0	27.0	27.4	17.6	45.5	42.1	26.6	17.6	21.4	16.9	32.1	33.7	48.7	49.7	55.2	65.6	4.8	2.8	7.8
Qatar	17.3	4.9	3.3	25.0	8.8	6.3	42.3	13.7	9.6	18.5	14.4	6.5	35.8	70.8	54.8	54.3	85.2	61.3	3.4	1.1	29.1
Saudi Arabia	17.2	11.1	5.4	24.8	19.6	10.5	42.0	30.7	15.9	18.4	17.2	9.6	36.2	49.1	56.1	54.7	66.3	65.7	3.3	3.0	18.4
Somalia	17.2	19.0	13.3	24.1	28.7	23.8	41.2	47.7	37.0	18.3	18.9	20.0	37.9	30.6	39.6	56.2	49.5	59.6	2.6	2.8	3.4
Sudan	18.0	15.7	10.4	25.7	26.4	19.6	43.7	42.1	30.0	18.7	19.6	18.0	34.2	35.2	46.1	52.9	54.8	64.1	3.4	3.1	6.0
Syrian Arab Republic	16.0	12.3	6.7	22.8	23.5	13.8	38.8	35.7	20.5	20.0	20.7	14.6	36.7	39.8	51.9	56.7	60.5	66.6	4.5	3.7	12.9
Tunisia	15.5	8.3	5.5	24.4	15.2	10.7	40.0	23.5	16.2	22.2	18.8	10.8	36.4	50.7	50.0	58.6	69.6	60.9	1.5	6.9	22.9
United Arab Emirates	17.3	6.4	3.6	25.0	7.5	7.6	42.3	13.9	11.2	18.5	23.0	7.5	35.8	62.8	56.7	54.3	85.8	64.2	3.4	0.3	24.6
Yemen	17.5	14.7	7.7	24.8	27.3	16.0	42.3	42.0	23.7	18.5	23.1	16.7	35.2	32.2	53.4	53.8	55.3	70.0	3.9	2.7	6.3

Source: Compiled and calculated by ESCWA using medium variant data from *World Population Prospects: The 2012 Revision*.

Box 1.2. Political instability and demographic change

Political instability and conflicts are prevalent throughout the Arab region and have affected a large number of countries including Iraq, Libya, Somalia, the Sudan, the Syrian Arab Republic, Yemen and others. Resulting from political tensions, civil wars and ethnic conflicts, instability can have serious impact on demographic changes through multiple channels, including malnourishment of children and internal and international migration. For example, infant mortality in the Syrian Arab Republic is expected to increase from 14.9 deaths per 1,000 births in the period between 2005 and 2010 to 17.7 from 2010 to 2015 as a result of the ongoing war.^{a/} Political instability is expected to increase further in the light of the developments of the Arab uprisings and the difficulties faced by the new governing regimes in the transitional periods following the uprisings.

Responses to these crises must integrate demographically-sensitive life course approaches to respond to the vulnerability and roles of different age groups. Examples of the needs of different age groups include the following:

- *Children:* given their dependency on caregivers, children separated from their caregivers by crisis situations are particularly vulnerable to violence, abuse and exploitation, including recruitment to armed groups. Conflicts also disrupt education and health services, affecting children's ability to use these essential services.
- *Youth:* conflicts in the Arab region disrupt labour markets and often result in the displacement of youth. Those conditions reduce the ability of young people to find decent work, and increase their risk of socioeconomic vulnerability and labour exploitation, and the likelihood that they will be involved in armed conflicts.^{b/}
- *Older persons:* because the mobility of older persons may be reduced, they may be unable to reach distribution points for humanitarian aid. Older persons may also have particular nutritional needs or dietary restrictions. They are also at risk of social isolation, which increases their vulnerability across the board.^{c/} Access to their means of support such as savings, assets or pensions are likely to have been disrupted, and they may be considered (or consider themselves) a low-priority group for assistance. However, these older persons can foster stability and act as caregivers and effective mediators of conflict and advocate for displaced communities.^{d/}

Thus humanitarian responses to conflicts across the Arab region should integrate a life course approach. Moreover, their responses should be gender-sensitive, noting that while males are more at risk of death from the direct effects of the conflict, women are more at risk of indirect consequences of war.

^{a/} United Nations Population Division, 2013.

^{b/} United Nations Department of Economic and Social Affairs, 2007, p. 126.

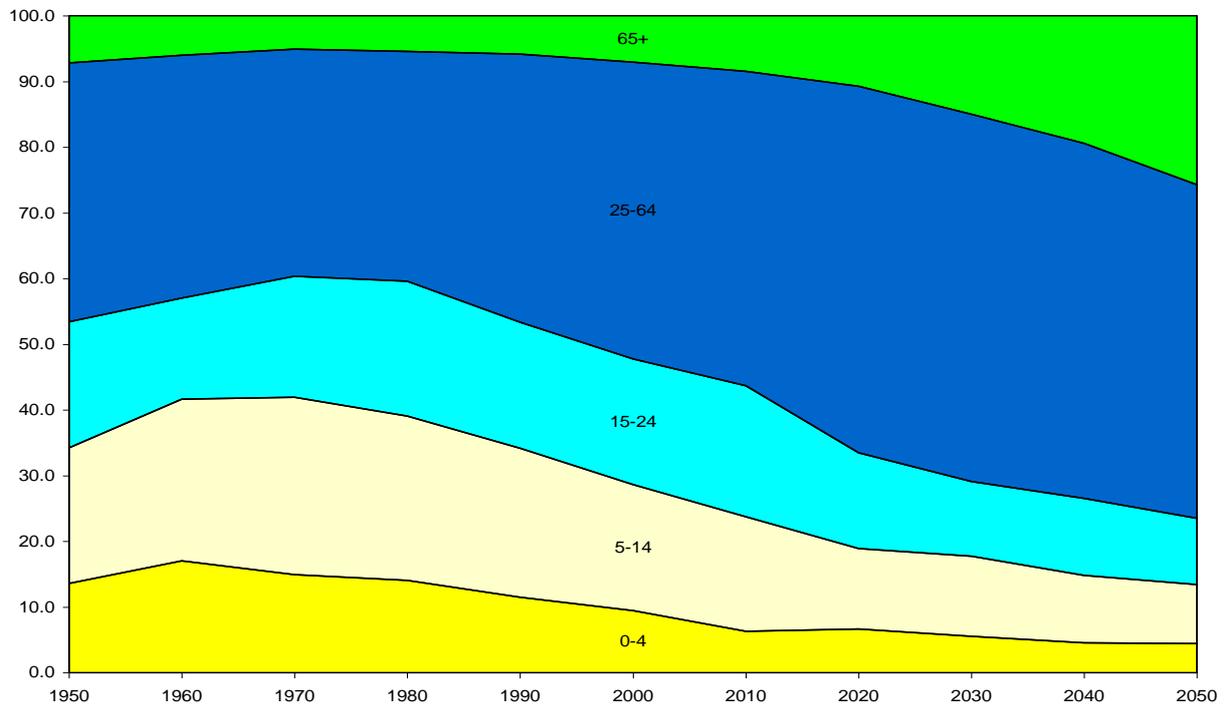
^{c/} UNFPA and HelpAge International, 2012, pp. 86-87.

^{d/} Chahda and others, 2013, pp. 5 and 65.

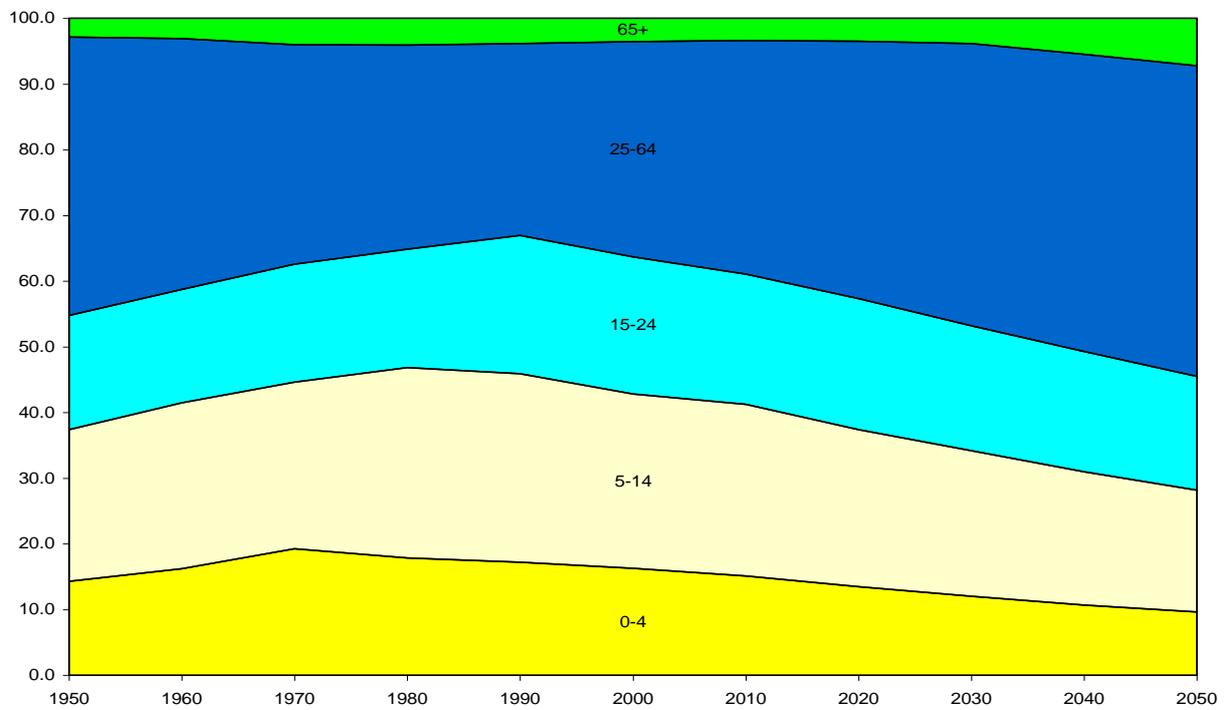
Figure 1.5 represents data from Lebanon, Iraq and Somalia to illustrate the different speeds of age-structural transitions in the Arab countries. These transitions are classified respectively as fast, medium, and slow.

Figure 1.5. Population of Lebanon, Iraq and Somalia by broad age groups, 1950-2050

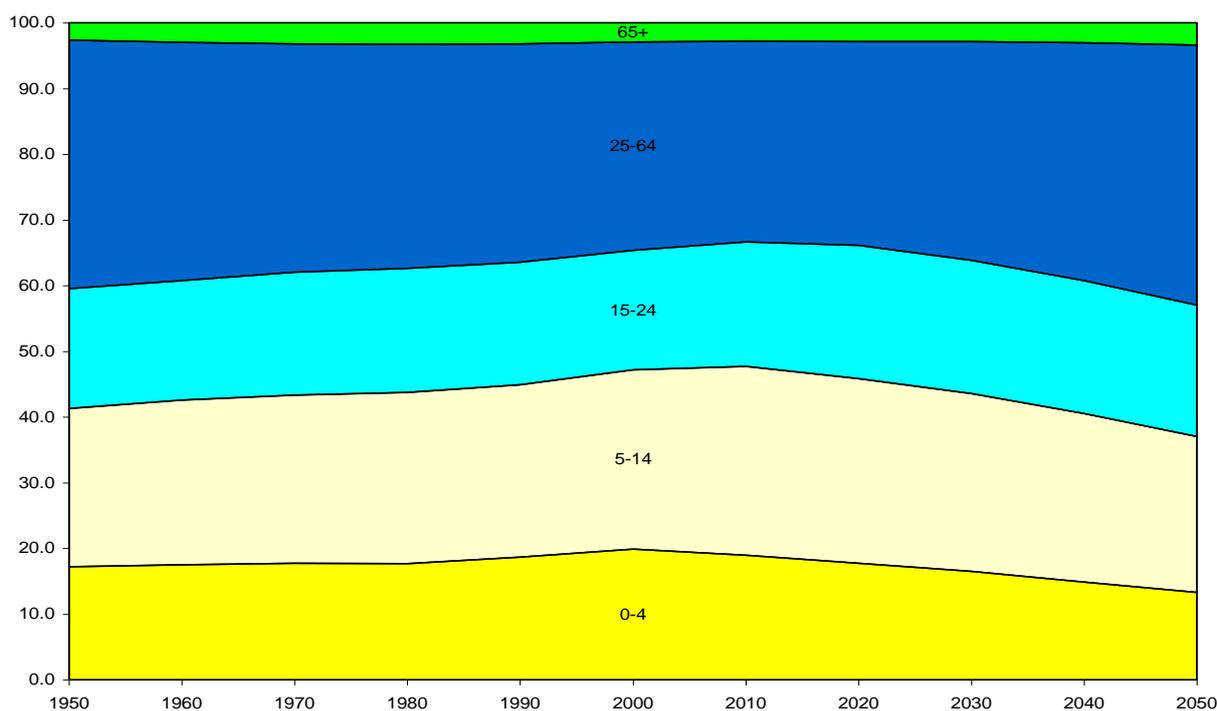
A. Lebanon



B. Iraq



C. Somalia



Source: Prepared using medium variant data from *World Population Prospects: The 2012 Revision*.

Thus age-structural transitions are underway throughout the Arab region, and although they are occurring at different paces, these changes follow similar paths that include decreasing shares of children in the population, increasing shares of working-age adults and older persons. These changes show that the development policy implications of age-structural transitions are highly relevant to Arab countries, as many of them have either entered the demographic window of opportunity, or will do so soon. Countries therefore need to respond to these changes to ensure that they contribute to social and economic development.

E. AGE-STRUCTURAL TRANSITIONS, GENDER EQUALITY AND THE EMPOWERMENT OF WOMEN

One of the central findings of the following chapters of this report is that there are strong linkages between age-structural transitions in the Arab countries and gender roles. In particular, the position of women in most Arab countries may hinder their ability to achieve the positive development potential of age-structural transitions. For example, the participation of women in the labour market in the Arab region is lower than in any other region. This low participation perpetuates the vulnerability of women and their dependence on their families. Therefore to derive the maximum benefit from the age-structural transition and the increased share of working-age adults, particular effort must be devoted to increasing the share of women in the Arab region who participate in the labour force otherwise the level of real dependency in the Arab region will remain high, and the countries will not derive as great a benefit from the increase in the working-age population.

Moreover, the age-structural transition will also impact the ratio of men to women. There will be more women than men in the age 65+ group because the life expectancy of women is higher than that of men. If women have been able to work and accumulate savings and benefits, then this is not problematic; however, since this is rarely the case, the likely increases in the number of widows will lead to an increase in the number of poor and vulnerable people, and will increase the cost of social protection of older women in the Arab region.

To some extent the changes underlying the age-structural transition (particularly reduced fertility) can in themselves be drivers of change in gender roles. For example, by reducing the emphasis on caring for children, lower fertility creates space for women to engage in the labour market. However, as with other potential effects of the age-structural transition, these changes are not automatic. Hence, policies should adopt gender-sensitive approaches focusing in particular on the economic and social empowerment of women in order to maximize the positive impacts of age-structural transitions.

F. STRUCTURE OF THE REPORT

It is therefore clear that the ongoing age-structural transitions in the countries of the Arab region will have significant implications for the development in the region, both in the short and long term. Social and economic policies in the Arab region need to be adjusted urgently, by adopting a life course approach and taking the specific development needs, opportunities and challenges of each age group into consideration. Moreover, within each age group, the opportunities and challenges for men and women are different, requiring a sex-disaggregated analysis. In practice, particular attention must be focused on improving the situation of women of all ages in the Arab region.

This Report will therefore focus on areas where action is needed to maximize the benefits and minimize the negative impacts of these age-structural stages. Those areas are as follows: economic policies; social policies; and present and future internationally agreed development goals (IADGs). This Report concludes with a series of recommendations on the specific steps countries can take in each area to realize the development potential of the age-structural transition.

Chapter II focuses on the macroeconomic policy implications of age-structural transitions in the Arab countries. The changes in the size of the working-age population in Arab countries can provide opportunities for economic growth if productive job opportunities are generated, if fiscal policies are well-directed, and if financial policies channel savings and investments to productive sectors of the economy. At the same time, a large working-age population can pose a macroeconomic policy challenge relating to unemployment, poverty, human capital formation, among other things. Chapter II therefore considers the effects of age-structural transitions on macroeconomic policies across three dimensions: labour-market policy, fiscal policy and financial policy.

The age-structural transition, associated with the youth bulge and the increasing number of people entering the labour market, represents both an opportunity and a challenge for labour markets. The opportunity arises from the growth of the working-age population which results in more human capital and the potential for greater productivity and economic growth. However, it can be challenging to create enough jobs for the increasing working-age population, and failure will result in high rates of unemployment among young people, especially among women. Hence, chapter II proposes reforms aimed at ensuring the best possible outcome from the surge in the working-age population in Arab countries.

In relation to fiscal policies, age-structural transitions affect both expenditure and revenue. With the increasing share of the working-age population in employment, tax income is likely to increase and outlays are likely to reflect lower levels of dependency. However, when the share of the population of working age starts to shrink as worker, transition into retirement, the opposite is likely to occur. Income tax revenue will start to decline while costs related to pensions and health care increase. Chapter II therefore outlines how the design of the fiscal policy in Arab countries should respond to age-structural changes in order to realize their objectives.

Theoretically speaking, with the increase of the share of the broad working-age group (15-64), there should also be an increase in the level of savings and capital available for investment. To enjoy those benefits, the State must create decent employment opportunities and ensure that savings and investments are channelled into productive ventures. Chapter II suggests ways to mobilize these savings for development.

Most of the literature on age-structural transition focuses on the economic dimension, especially the labour-market correlates of the changing age structure, while the social dimension is less well addressed, particularly as regards the Arab region. Hence, chapter III fills in a gap in the literature by addressing the social challenges and opportunities presented by age structural transitions that can be integrated in social protection strategies and plans. In particular it identifies ways to address the unique social protection needs and opportunities for each age group, and to ensure that policies are sustainable. It also considers how demographic changes in Arab countries will affect the potential for funding and expanding these systems.

Age-structural transitions also affect intergenerational relations in social institutions at all levels, creating the potential for positive transitions to more democratic forms of governance, but also for conflict between generations. Approaches to the transition must capture the changing share of different age groups in the overall population. Chapter III advocates for participatory approaches in decision-making at all levels as a means of maintaining social solidarity throughout the age-structural transition.

Given the importance of internationally-agreed development goals, such as the Millennium Development Goals (MDGs), to the development policies of Arab countries, chapter IV considers age-structural transitions in the context of those goals, and how age-structural transitions may help countries to meet these development goals. It also analyses the ongoing debate over the United Nations development agenda beyond 2015 to assess the extent to which the agenda responds to age-structural transitions. The Report offers suggestions on how to reflect age-structural transition in the future development agenda.

The Report explores the effects of age-structural transition on different development-related policy areas in Arab countries, and it suggests approaches that they can adopt to develop concrete policy responses.

In many ways, the reforms suggested in the following chapters are well-known. However, this Report provides a means to consider population and development policies in the region in a holistic framework which takes into account age-structural transitions and their implications on different age groups at different phases of the life course. On the basis of this approach, this Report highlights the urgency of adopting those reforms.

II. MACROECONOMIC POLICY IMPLICATIONS OF AGE-STRUCTURAL TRANSITIONS IN ARAB COUNTRIES

As discussed in chapter I, the age structure of the Arab region is changing, with an increasing share of the population at working age. This phenomenon has a wide range of macroeconomic implications, and creates challenges in terms of unemployment, income disparity, poverty, public expenditure, migration, human capital creation, and housing. However, with the proper macroeconomic policies, the shift in age structure could generate higher per capita income growth leading to better economic performance and better-functioning markets and institutions. Governments therefore need to consider age-structural factors when developing their economic policies to ensure that they are realistic. Moreover, economic policies also affect the ability of countries to benefit from age-structural transitions. For example, people are more likely to save and invest if there are viable, trustworthy and well-regulated financial institutions. Likewise, a lack of State investment in health and education prevents the formation of human capital that is needed to maximize the benefit of age-structural transitions.

This chapter therefore addresses factors and policy options for Arab countries to consider as they design sustainable economic policies that aim to capitalize on the benefits of the age-structural transition. Moreover, this chapter considers whether current labour-market policies in the Arab region integrate demographic and life course perspectives, and provides recommendations to adapt existing policies to the demographic trends across the Arab region.

A. LABOUR MARKET POLICIES

The challenge posed by age structural transition is to transform the relatively low level of demographic dependency into development gains through increasing levels of employment. Though desirable, that aim is difficult to achieve in the Arab countries, where high rates of unemployment represent one of the main challenges.

1. *Major economic challenges facing Arab countries*

A number of challenges facing Arab labour markets have significant direct and indirect links to age-structural changes. Over the years, political and economic circumstances along with specific labour policies have helped to shape the characteristics of Arab labour markets. The changing age structure and its potential to evolve into a demographic window of opportunity is highly dependent on these labour-market characteristics, which are common to Arab countries.

(a) *High unemployment rates and a large informal sector*

The rate of growth of the population aged between 15-64 is faster than the rate of growth of dependant age brackets (below age 15 and over age 65). This phenomenon is at the core of the demographic window of opportunity: the population shifts to having more producers than consumers of wealth, goods and services. Many East Asian countries faced similar growth in the working-age population in previous decades, and were able to ensure that this population was engaged in labour markets, helping them achieve their economic success. Arab countries, however, have yet to take advantage of the demographic window because the high growth rate of the economically active population has been accompanied by a low rate of participation in the labour force.⁸ This figure currently stands at 61 per cent, among the lowest rates in the world, owing to the low participation of women.⁹

However, simply increasing the level of labour force participation is insufficient if no job opportunities are available for the active population. Existing labour-market policies have in particular failed

⁸ Participation in the labour force includes both employed persons and unemployed persons actively seeking work.

⁹ ILO and UNDP, 2012, pp. 50 and 139.

to create attractive jobs for young people, to deal with the youth bulge and the increasing number of new entrants to the labour market. As a result, unemployment rates have remained stubbornly high in the region.

The unemployment rate in the Arab region worsened over the 1990s to become the second-highest in the world, surpassed only by sub-Saharan Africa. By the early 2000s, the average rate of unemployment was 12 per cent and reached more than 20 per cent in some countries such as Algeria and Djibouti;¹⁰ by 2012, the average rate had increased to 14.5 per cent with an expected further increase in 2013 to reach 14.8 per cent, reflecting the increase in unemployment by 5 million people between 2010 and 2012 in countries that experienced popular uprisings.¹¹

TABLE 2.1. UNEMPLOYMENT RATES IN SELECTED ARAB COUNTRIES, VARIOUS YEARS

Country	2000	2002	2004	2006	2008	2009	2010
Algeria	..	25.9	17.7	12.3	11.3	10.2	10.0
Djibouti	..	59.5	..	..	..	..	..
Egypt	9.0	10.2	10.3	10.6	8.7	9.4	9.0
Iraq	..	..	26.8	17.5	15.3	..	..
Jordan	..	..	..	..	..	12.9	12.5
Kuwait	0.8	1.1	1.4	1.3	..	1.6	..
Lebanon	..	..	7.9	..	..	..	..
Morocco	13.6	11.6	10.8	9.7	9.4	9.1	9.1
Qatar	..	..	..	0.9	0.3	0.3	..
Saudi Arabia	4.6	5.2	..	6.3	5.1	5.4	..
Syrian Arab Republic	..	11.7	..	8.2	10.9	..	..
Tunisia	15.7	15.3	13.9	12.5	12.4	13.3	13.0
United Arab Emirates	..	..	..	..	4.0	4.2	..
Yemen	..	..	..	15.7	15.0	..	..

Source: LABOURSTA and ILOSTAT Database, available from <http://www.ilo.org/global/statistics-and-databases/lang-en/index.htm>.

Note: Two dots (..) indicate that data are not available.

Unemployment in the region takes different forms: it may be structural, cyclical or disguised. It also reflects the different situations of Arab countries.¹² The highest rates of unemployment are in conflict-afflicted countries such as Iraq, Palestine, and Somalia (averaging 31 per cent).¹³ In labour-receiving GCC countries, meanwhile, labour markets are segmented, with a significant wage disparity between nationals and non-nationals. As a result, many employers prefer to hire non-national males who accept lower wages, while nationals prefer the higher wages and status of public sector employment.

Arguably, the informal sector in Arab countries has grown as an increasing number of the working population, especially youth and women have been unable to find work in the formal sector. On average, the informal sector constitutes 45-55 per cent of the total non-agricultural employment in the region, resulting in low competitiveness and productivity of human capital.¹⁴

Considering that the share of the working-age population is growing, the unemployment challenge will become even more problematic in the years to come. Improving the rate of labour-market participation, however, must go hand-in-hand with efforts to reduce unemployment and ensure that education and training

¹⁰ Agenor and others, 2007, pp. 211-213.

¹¹ ESCWA, forthcoming.

¹² Structural unemployment results from the lack of skills needed to satisfy labour market requirements, cyclical unemployment is associated with the nature of the business cycle, and disguised unemployment refers to people having jobs, but with low or no productivity.

¹³ Chaaban, 2010, pp. 11-12.

¹⁴ Martin, 2009, p. 19.

achieve a better match between labour market requirements and the skills of the labour force. Moreover, growth strategies should be adjusted to prioritize lowering unemployment rates and creating jobs.

(b) *The youth bulge*

Over the past two decades, the young age structure of Arab countries has created ever-increasing pressures on labour markets, which have failed to accommodate these new entrants to the labour market. In fact, the average rate of youth unemployment in the Arab region is currently estimated to be around 23 per cent, higher than any other region of the world, and more than four times the unemployment rate of older adults (table 2.2).¹⁵ This youth-to-adult unemployment ratio is the largest in the world. Youth unemployment is expected to increase further in the short term, as uprisings in some Arab countries have negatively impacted economic activity.

TABLE 2.2. YOUTH UNEMPLOYMENT AND TOTAL UNEMPLOYMENT IN SELECTED ARAB COUNTRIES, 1990 AND 2000-2010
(Percentage)

Country	Age group	1990	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Jordan	15-19	..	..	37.9	38.0	37.0	31.6	38.8	35.6	34.7	32.9	31.2	33.0
	20-24	..	..	27.1	28.9	28.2	24.1	28.7	26.8	26.6	25.8	25.7	26.7
	25-29	..	..	10.9	11.4	10.5	9.6	11.6	11.3	10.4	10.3	10.5	10.1
	15-64	..	13.7	14.7	15.3	14.5	12.5	14.8	14.0	13.1	12.7	12.9	12.5
Palestine	15-19	..	21.5	38.7	46.0	39.5	41.3	37.0	33.6	33.5	39.5	36.4	36.9
	20-24	..	20.1	34.2	41.4	38.1	39.5	36.3	36.8	36.2	41.5	40.0	39.6
	25-29	..	16.5	26.9	32.3	26.5	27.4	24.9	26.2	24.0	30.7	29.7	29.5
	15-64	..	14.3	25.3	31.2	25.5	26.8	23.5	23.7	21.7	26.6	24.5	23.7
Saudi Arabia	15-19	49.8	37.8	45.4	43.6	..	..	..	51.0	34.3	33.6	25.9	..
	20-24	18.9	22.5	22.2	25.5	..	..	..	31.8	29.0	27.8	30.2	..
	25-29	5.1	6.8	7.6	9.1	..	..	..	10.6	10.5	10.1	12.8	..
	15-64	4.3	4.6	4.6	5.3	..	..	..	6.3	5.6	5.0	5.4	..
Syrian Arab Republic	15-19	..	..	18.4	27.8	19.0	26.4	18.8	17.3	17.8	21.3	14.8	19.7
	20-24	..	..	23.2	24.9	21.9	23.8	18.6	18.9	19.8	23.0	17.7	20.8
	25-29	..	..	14.0	11.2	15.0	14.0	10.0	11.9	12.2	15.5	13.2	13.4
	15-64	6.8	..	11.2	11.7	10.9	12.3	8.1	8.2	8.4	10.9	8.1	8.6

Sources: Jordan: EUS 2000-2010; Palestine: LFS 2000-2010; Qatar: LFS 2001, 2006, 2007, 2008 and 2009; 2002 data: ESCWA SD; Census 2010; Saudi Arabia: LFS, 2000-2002 and 2006-2009; Syrian Arab Republic: 1991 data: ILO, based on LFS, methodology revised, data not strictly comparable; LFS 2001-2009 data provided by focal point; LFS 2010 data: Central Bureau of Statistics website.

Note: Two dots (..) indicate that data are not available. Youth unemployment as defined by the United Nations comprises age groups 15-24. However, in this age group, university graduates may represent a disproportionate share of recent labour market entrants, since they are captured for only two to three years (age 22-24). For comparison reasons, therefore, the 25-29 age group has been included in the table.

As table 2.2 shows, youth unemployment rates vary by country and over time. However, they remain consistently high, especially when compared to total unemployment. Moreover, youth employment prospects do not improve with higher levels of skill and education; rather, unemployment has been hitting all skill levels, and even highly skilled young workers struggle to get a job at their skill level. Some have joined the informal economy, migrated, or left the labour market entirely.¹⁶ Finally, magnifying the problem of the low participation rate of women, the rate of unemployment among female youth stands at 37 per cent in the

¹⁵ ILO and UNDP, 2012, p. 52.

¹⁶ ILO, 2013, p. 81.

Arab region.¹⁷ Thus the changing age structure has created a youth bulge that Arab countries are having difficulty in integrating into their labour markets.

(c) *Widespread public sector employment and low productivity*

Part of the reason for the difficulty in integrating an increasing working age population in the labour force can be found in the economic structure of Arab countries. Arab countries are mostly centralized States with a dominant public sector and, with few exceptions, weak private enterprise. A large proportion of the labour force of Arab countries is employed in the public sector, which accounts for an average of 29 per cent of total employment in the region.¹⁸ It is particularly high in GCC countries: in 2010, the public sector accounted for 93 per cent of the employment of nationals in Kuwait, and 79 per cent in Saudi Arabia. The percentages are also high in other countries, reaching 66 per cent in Libya, 44 per cent in Jordan and 29 per cent in Egypt.¹⁹ This reliance on public sector employment has negatively impacted Arab countries by reducing productivity, disconnecting wages from market realities, exacerbating unemployment, and influencing the educational choices of students towards less economically-useful courses, thus reducing the returns on their education and contributing to significant labour market segmentation in the region.²⁰

These negative effects exist because public sector employment has been protected from labour market competition. Employees receive higher wages and lifetime job security, and structures to motivate them to enhance their productivity or upgrade their skills may be absent. Those employment characteristics have contributed to a culture of dependency, with workers in some Arab countries believing that the Government should provide tenured jobs with social benefits regardless of productivity. Thus, despite improvement since the 1990s, productivity has remained low by international standards in all Arab countries.

Given the existence of this public sector option, private sector jobs are generally considered the second-best option in most Arab countries. Even though the private sector may offer higher wages, the job security, benefits, flexibility and de-emphasis of productivity make public sector jobs more appealing. This is especially for women: a large proportion of women are concentrated in the public sector because of the relative flexibility of working hours and conditions, stricter compliance with maternity leave benefits, and for other cultural and social reasons.

Meanwhile the private sector has not acted as a catalyst of growth and development in Arab countries. Due to inefficient investment policies, red tape and the dominance of the public sector in several fields, the private sector has remained weak, which has allowed the informal sector to gain strength. However, informal jobs are characterized by low skills and low added-value and offer low levels of employee protection.

Thus, while public sector jobs have helped to lower unemployment rates in many Arab countries, the structural problems of low levels of productivity underlying unemployment have not been overcome. In fact, with fiscal retrenchment, the Governments cannot continue to absorb job-seekers into the public sector. Thus, further enlargement of the public sector will not be a viable option to deal with age-structural transitions or to capture the demographic dividend.

(d) *Gender inequality*

In the 1990s the female labour force participation rate increased significantly due to increased investment in female education, among other factors.²¹ However, by international standards the female participation rate remained low: in 2008 it stood at 31.9 per cent in Algeria, 31.6 in Lebanon and

¹⁷ ILO and UNDP, 2012, p. 140.

¹⁸ Chabaan, 2010, p. 17.

¹⁹ Al Masah Capital Limited, 2011, p. 7.

²⁰ World Bank, 2008, pp. 227-228.

²¹ Ibid., p. 171.

31.3 per cent in the Syrian Arab Republic. Participation rates for female youth are extremely low, especially in Palestine where they stand at 13.4 per cent. Meanwhile, female unemployment remains high (table 2.3). Thus, despite progress in terms of education and increasing female participation in labour force, there remain significant gender imbalances in Arab labour markets.

TABLE 2.3. UNEMPLOYMENT IN SELECTED ARAB COUNTRIES: TOTAL AND BY SEX,
LATEST AVAILABLE YEAR
(Percentage)

Country	Total	Male	Female
Egypt (2009)	9.4	5.2	22.9
Jordan (2011)	12.9	11.0	21.2
Palestine (2011)	20.9	19.2	28.4
Saudi Arabia (nationals: 2009)	10.5	6.9	28.4
Syrian Arab Republic (2010)	8.4	5.7	22.5
United Arab Emirates (nationals: 2009)	14.0	7.8	28.1
Yemen (2008)	15.0	11.5	40.9

Source: ESCWA, 2012a, p. 35.

Women who do work in the private sector are concentrated in low-pay jobs, causing a large gender gap in earnings in the private sector. In all Arab countries women outlive men; thus the gender aspect is of even greater importance as the Arab region ages. Ensuring a decent life for women through increasing participation rates and lowering unemployment rates is a challenge that must be considered for future planning. The engagement of the marginalized segments of the society such as women in the labour market allows the economy to make better use of the demographic window

To sum up, Arab labour markets can be characterized by high unemployment and informality, low productivity, youth unemployment, and gender inequality in terms of access to employment and wages. These characteristics constitute serious challenges in the light of the changing age structure. Some of the challenges are a result of inefficient policies in Arab countries. The reform of these policies would help to tackle the challenges and at the same time put Arab countries on the right track to benefit from the demographic window of opportunity. The main cause of the ills of labour markets in Arab countries may be attributed mainly to low productivity arising from inefficient educational and training systems and the decline in the amount of physical capital per labourer, which are mainly due to misguided and/or inefficient labour market policies,²² though recent evidence has also shown that demand side policies (such as investment and industrial policies) have also played an important role in exacerbating labour market problems in the region.²³

2. Policy reforms to meet the age structural transition

Arab countries have adopted many policies to resolve labour market problems, but few have succeeded and the policies in place may in fact have exacerbated them. Given the changing age structure, a new push to reform misguided policies is an urgent priority to maximize the benefits of the demographic window of opportunity. The following section outlines policies that are in need of reform.

(a) Rigid labour laws and regulations

Restrictive labour market regulations, including restrictions on hiring and firing and minimum wages are widespread in the region. As a result, wages are not set by the market, but by other factors.²⁴ Rigid

²² Keller and Nabli, 2007, pp. 179-180.

²³ ILO and UNDP, 2012, p. 102.

²⁴ Agenor and others, 2007, p. 212.

regulations reflect the development model adopted by the Arab countries since the 1960s, in which the State is the main and largest employer in the economy and a guarantor for jobs. However, while that development model may have functioned in the past when financial resources were abundant and the working-age population was smaller, this has not been the case for the last two decades. Arab Governments have yet to shift their development paradigm and relax their labour market rules and regulations to promote productive private sector employment while factoring in appropriate social policies to accompany these reforms.

For example, the majority of Arab countries have legal minimum wages. Yet, in many cases this is thought to be ineffective because of the low level of the minimum wage, its limited coverage, and the lack of enforcement²⁵. Meanwhile, job security legislation and restrictions on firing permanent workers are relatively stringent in Egypt, Tunisia, and Algeria, less strict in Morocco and Jordan, and apply only to nationals in Gulf countries.²⁶ The private sector has mitigated these laws and developed its own methods to have some flexibility through means such as temporary contracts or forcing workers to sign resignation letters before joining work; thus undermining workers' protection and further increasing the attractiveness of the public sector.

These restrictions combine with other rules and regulations to prevent the formal private sector from acting as an engine of growth and an absorber of new labour market entrants. Large contributions to social security systems represent a burden on private employers: in Egypt, between 35 and 40 per cent of the wage are paid as social contributions, with the employer paying two-thirds of the contribution and the employee one-third. As a result of the rigidity of labour laws in the formal markets and the financial burdens that employers in the formal private sector must bear, the informal sector has grown significantly in a large number of Arab countries.

Thus labour market rules must be made more flexible to promote private sector employment, while protecting the interests of workers. Several Arab countries have undertaken measures to introduce fixed-term and part-time contracts, to make it easier to dismiss underperforming employees.²⁷ Those changes are a step in the right direction, especially if the goal is to deal with the challenge of age-structural transition. However, labour market flexibility needs to be complemented by appropriate social policies to protect employees from worsening social conditions, and complementary policies to create a conducive business environment that enables the private sector to flourish and act as an engine for growth and creation of decent jobs.

(b) *Segmented labour markets and migration policies*

This policy issue is especially-important for GCC countries, where the wage differential between the public and private sectors has led to labour market segmentation. GCC countries have resorted to segmentation partly in reaction to demands for a more-equal distribution of resource wealth among nationals through public sector employment with all its benefits. In Qatar, for example, recent pay increases for nationals in the public sector could reach up to 120 per cent, while in Oman public employment has increased further by up to 50,000 new jobs in the last few years,²⁸ feeding the reluctance of nationals from these countries to join the private sector. However, the public sector in GCC countries cannot grow to accommodate all of the people who want to work in it, and unemployment rates have remained high among nationals in GCC countries.

In response to this growing problem, the Governments of GCC countries have introduced measures to integrate nationals into the private sector through setting obligatory quotas for hiring nationals in private

²⁵ ILO, 2010, p. 16

²⁶ Said, 1996, p. 21; ESCWA, 2011a, pp. 27-28.

²⁷ Aita and others, 2008, p. 57.

²⁸ ILO, 2013, p. 84.

sector organizations, and for providing subsidies to private sector firms to hire nationals and raising the cost of living for migrants and their families by increasing the cost of health insurance, accreditation of educational certificates, and other requirements. Moreover, GCC countries have adopted policies aiming at raising the skills level of nationals through the provision of better education and vocational training.

Although the effectiveness of such policies has been subject to doubt,²⁹ overcoming the segmentation of the labour markets in GCC countries remains a top priority in the context of the changing age structure, as policies need to be enacted promptly to ensure that GCC nationals are able to find employment and to ensure that each country benefits from the demographic window.

These nationalization measures in GCC countries, along with the replacement of Arab migrants with Asian migrants, and the tightening of migration policies in countries such as the European Union, will put further pressure on those Arab countries which had previously used emigration as a safety valve to help reduce labour market challenges. Greater nationalization of the work force in GCC countries will not end the demand for foreign workers in these countries, however. Arab countries of origin should therefore take a more strategic and development-focused approach to emigration to maximize its positive impact, for example through using it as a tool for promoting productive employment and skill upgrading.

(c) *Educational policies and occupational safety and health measures*

The quality of education is an important input into labour markets. However, in Arab countries, this factor has lagged behind other parts of the world. In terms of access to education, Arab countries have performed well, but the quality is still poor. One consequence of widespread public sector employment in Arab countries is that students are concentrated in disciplines such as humanities, social sciences, law and education, which feed into public sector careers. Meanwhile, technical and vocational education and training have been stigmatized. The preference for public sector employment has generated an undersupply of workers with the skills most needed by the private sector, constituting a huge mismatch between the graduates of the educational system and the needs of the labour market. Moreover, skill upgrading has not been given the attention it needs, resulting in ineffective training programmes. The result of these trends can be seen in low productivity and a significant mismatch between the skills of graduates and the needs of labour markets. Unsurprisingly, the private rate of return to education in the region has been on a downward trend over the past 20-30 years, signalling the weakening status of education and the high proportion of educated workers who are unemployed (table 2.4).

TABLE 2.4. DISTRIBUTION OF THE LABOUR FORCE AND THE UNEMPLOYED
IN SELECTED ARAB ECONOMIES, BY EDUCATION

Country	Percentage of labour force with secondary education or above	Percentage of unemployed with secondary education or above
Egypt (1998)	42.0	80.0
Bahrain (2003)	24.9	59.0
Morocco*	16.4	29.6
Jordan (2003)	45.1	43.6
Algeria**	20.0	37.8
Oman (1996)	15.4	39.7
Tunisia (2004)	42.6	42.5

Source: World Bank, 2008, pp. 215-217.

* Labour Force: 2005 and unemployment: 2003.

** Date was not provided.

Educational policies that have focused on access above quality, and have neglected labour market requirements and private sector needs cannot be sustained. To meet the challenge of new age structures, new means of education are needed to enhance productivity.

²⁹ Yousef, 2004, pp. 42-43.

Health and safety aspects should be considered to create decent jobs. The results of a recent study on occupational safety and health in the Arab region showed that conditions vary by country, with some showing serious deficiencies in mechanisms and performance. Several countries lack the required legislation and have weak enforcement measures. This implies that some jobs in Arab countries do not always meet the requirements of decent work.

3. *Adapting labour market strategies to age-structural transitions*

The short review of labour policies in Arab countries has shown that these policies have fallen short of meeting the labour market challenges Arab countries face. This section analyses the reforms needed in different policy areas, while questioning the ability of some policies to meet the challenges associated with age-structure changes.

Economic activities, such as construction and housing, which are well-known for their ability to create jobs, may be appropriate for dealing with the increasing working-age population but may not fit the anticipated age-structural transition to an older population with its accompanying decline in productivity and added value. Arab countries must strive to create high productivity- and added-value-jobs that provide wages beyond the subsistence-level and can consequently trigger savings. Such jobs are typically found in the formal sector and provide employment protection and social protection, allow for career progression across the life course and unlock the potential of the youth cohort of the region. Such jobs are more likely to produce knock-on benefits in terms of innovation, especially in an innovation-driven, global economy. The following reforms are suggested to enable the creation of decent jobs and to assist people in accessing these jobs.

(a) *Minimum wages*

Minimum wage policies should set the wage high enough to ensure a decent life for low-skilled workers, but should ensure that the wage is not so high that the formal sector cannot afford the wage. If the wage is set too high, it risks crowding out low-skilled work from the formal to the informal sector where lower wages can be paid. Minimum wages that are set too high can also affect the ability of formal sector companies to compete in foreign markets.³⁰ Policymakers should ensure that the pay level for low-skilled workers matches their productivity and does not negatively affect the firms that hire them.

(b) *Social protection schemes*

The costs of different work-related insurance and social security schemes need to be carefully distributed among the different stakeholders. Many current schemes are costly to employers and deter them from hiring, while the coverage of these schemes and the benefits they provide are often insufficient. Ensuring that the costs are low and that they are fairly distributed between employers and employees could reduce rigidity in Arab labour markets and improve the level of coverage. Arab Governments should consider initiatives such as the new unemployment insurance savings account under consideration in Egypt. Employers deposit a specified portion of each worker's earnings into a special individual savings account. Upon separation, workers could make withdrawals from their savings accounts as they deem fit. The main aim of the new system is to reduce the burden of insurance and social security schemes on employers, while at the same time preserving the rights of employees.

The quality of the services, health services in particular, is a major issue that must be tackled as social security coverage is expanded. As long as the quality of services is poor and services are difficult and costly to access (even if theoretically free of charge), employers and employees alike will consider social contributions to be a tax rather than insurance, leading to neither party being willing to pay these contributions.³¹

³⁰ Bloom and others, 2001, p. 56.

³¹ Charmes, 2010, p. 16.

(c) *Active labour market policies*

Active labour market policies are instruments used by governments to improve the functioning of labour markets, improve the employment situation and assist people in upgrading their skills in line with market needs. These include measures such as subsidizing employment and providing employment services, training, public works programmes and small and medium enterprise (SME) development programmes.³² To ensure the effectiveness of these policies, Arab countries should institutionalize active labour market policies as part of a comprehensive national employment strategy. This would improve coordination between different stakeholders, financial sustainability, and monitoring and evaluation mechanisms. It would also facilitate the enhancement of the capacity of responsible agencies.³³ Active labour market policies should also integrate a future-focused perspective, planning for expected structural change in labour market needs. For example, when the period of the demographic window comes to an end and the older population accounts for a larger share than ever before, the industry providing care for older persons will expand. While creating jobs, this expansion will require specialized training and increased investment to reach its full potential.

(d) *Education and training*

The reform of education and training is extremely important to effectively address the challenges of labour market policies. The renewed emphasis on quality is becoming an urgent priority in the process of reform, which should also reduce the bias towards humanities and social sciences and emphasize labour market requirements to overcome the mismatch that has long existed between the skills of workers and the needs of the labour market.

Several programmes aim to link education outcomes to labour market needs and provide youth with better job opportunities. Examples include *Injaz* in Jordan, *Sanad* in Oman, *Dakum* in Kuwait, the Hariri Technical School in Lebanon, and the National Programme for the Employment and Training of Bahrainis. Those programmes, though important endeavours, have not been able to solve the youth unemployment problem for many reasons, including the following: the limited scale of the programmes; weak follow-up, monitoring and evaluation mechanisms; and the inability of programmes to deal with demand-side industrial and investment policies, the preferences of youth for certain kinds of work and the overall inefficiency of educational systems. Thus any reform should take place in the context of an overall strategy of economic diversification to ensure its effectiveness.

(e) *Participation of women in the labour market*

The low female participation and employment rates, especially among young women, may be a reflection of a more general attitude of discrimination towards women. Despite the efforts of several Arab Governments to enhance the role of women in labour markets and increase their participation rate, progress has been limited. Enhancing the role of women requires reform of a range of policies that impact the rights of women, their active role in society and their political participation and representation. For example, reform to family law, in particular strengthening unilateral rights to divorce for women, has improved incentives for young women to participate in the labour force.³⁴ Increasing the rate of labour force participation should therefore be integrated into a comprehensive strategy for enhancing the role of women in society. This strategy could include measures to enhance the competitiveness of female workers such as wage subsidies, provision of good-quality, low-cost childcare facilities, and vocational training and internship programmes tailored to the needs of young women workers. Decent work conditions should underlie all of these reforms.

³² ESCWA, 2012b.

³³ Amer, 2012, p. 6.

³⁴ ILO, 2013, p. 83.

(f) *Older persons and active ageing*

Reforms and adjustments need to be undertaken to benefit from the expected increase in the share of older persons in the population. The increase of the age of retirement is generally proposed as a solution, as it would add to the supply of labour, reduce the dependency ratio and lessen the fiscal burden of pensions and other expenditures that are partially financed by the social security contributions of the working-age population. Such reforms were undertaken in Central and Eastern Europe to address the consequences of the changing age structure.³⁵ However, this option may not be applicable in all Arab countries as it will impact the employment opportunities of younger workers. Hence, the solution may lie in developing new schemes of part time and/or home-based work for older persons.³⁶

Moreover, to ensure high productivity, there is a need to train or retrain older workers. In most Arab countries, training is not widely-provided, and the focus of the few existing training programmes has been on the younger generations of the workforce. A new setup will be required, adapted to the needs of older workers.

(g) *Migration*

As noted in chapter I, migration affects age-structural changes. Migration could empty countries of origin of their prime working-age populations, hampering their ability to benefit from the demographic dividend and even accelerating the ageing of the population. By contrast, migration is responsible for boosting the workforce of many countries of destination, primarily GCC countries, and holding back population ageing.

Given the risk of zero-sum migration policies which are harmful to the interests of poorer countries of origin, regional strategies on migration are required. These strategies should try as much as possible to achieve win-win outcomes for both countries of origin and destination by taking strategic approaches to migration management, focused on development and human rights, to ensure that migration benefits countries of origin and destination, and migrants themselves.

(h) *Other related policies*

The reform options proposed above focus on the direct effects of the age-structural transition on labour markets. However, for reforms to be successful, they will need to be embedded in the broader improvement of the business environment in Arab countries. Of particular importance is the reform of trade and industrial policies to diversify the economies of Arab countries with a particular focus on enabling private sector growth in sectors that are high productivity, high added-value and labour intensive, such as manufacture for export. In addition to those reforms, there is a need to improve labour market data to enhance the understanding of the nature of labour markets in Arab countries and their impacts on different age groups.

B. FISCAL POLICIES

1. *Overview of fiscal policies in Arab countries*

Age-structural transitions affect fiscal policy in different ways at different times for both expenditure and revenue. For example, potential income tax revenue is likely to increase with the growth of the working-age population. On the expenditure side, any increase in the population of older persons is expected to exert extra pressure on the cost of health care. Fiscal policies should respond to such changes while also ensuring

³⁵ Chawla and others, 2007, p. 32.

³⁶ Ibid., pp. 40-41.

two main objectives, namely choosing the right tax base to maximize revenue and providing adequate public services to the population given the change in demography.

With the exception of GCC countries, Arab countries have experienced serious fiscal problems. For example, in 2010, the International Monetary Fund (IMF) estimated that gross Government debt was about 55 per cent of GDP in the Sudan and near 75 per cent of GDP in Egypt, while public debt in Lebanon amounted to 148.2 per cent of GDP, ranking among the highest in the world. Some Arab countries must allocate almost half of the annual budget to debt and interest payments, which negatively affects their ability to expand productive public spending. Hence, fiscal reform, particularly expanding revenue collection, is vital to reduce the structural deficit and allow government spending to be driven by current and future needs.

Arab countries also suffer from skewed government expenditures which have provided inefficient social protection schemes, and have diverted funds from public investment and public services such as education and health. Even when the level of spending on public services is within international norms, symptoms of inefficiency are visible in several Arab countries. For example, in Egypt, public spending on health, which is in line with international averages, does not produce comparable levels of resources such as the number of physicians, health-care workers, or hospital beds per thousand people.

Despite the relatively comfortable fiscal position of GCC countries, they are reliant on oil revenue, and are therefore vulnerable to the unpredictability of oil prices. Moreover, oil reserves are exhaustible, which raises concerns around the sustainability of revenue in the future, and hence creates issues of intergenerational wealth distribution. To overcome such problems, GCC countries have established savings and stabilization funds. The saving function is meant to tackle the long-term issue of intergenerational equity and fiscal sustainability through the accumulation of assets, whereas the stabilization function addresses the short-term issues of fiscal planning and macroeconomic stability by absorbing revenue from and injecting revenue into the budget.³⁷

The Arab uprisings have in fact deepened the problem of high public debt as the increase in fiscal allocations of social benefits in a time of low economic growth has complicated the problem further. Table 2.5 provides a summary of social spending increases in Arab countries since 2010 in response to uprisings and protests. If the response to the demands for social justice is not handled prudently by the Arab Governments and accompanied by good economic performance, it may lead to further social injustice in future generations.

TABLE 2.5. COUNTRY RESPONSES TO THE ARAB UPRISINGS BY EMPLOYMENT MEASURE SINCE 2010

Countries	Change in public wages	Change in minimum wages	Public employment	Training	Infrastructure
Bahrain	x	x	x	x	x
Egypt	x	x	x	x	x
Iraq	x				x
Jordan	x	x	x	x	x
Kuwait	x				x
Lebanon	x	x			
Libya	x	x	x		
Morocco	x	x	x	x	
Oman	x	x	x	x	
Qatar	x				x
Saudi Arabia	x	x	x	x	x
Syrian Arab Republic	x			x	
Tunisia	x		x	x	
United Arab Emirates	x	x			x
Yemen	x		x	x	

Source: ILO and UNDP, 2012.

³⁷ Strum and Gurtner, 2007.

Spending on social security for older age groups will be a key consideration for Arab countries in the future. Limited data are available on the income of older persons in Arab countries; however, available information indicates that most countries have adopted old-age social security schemes that are tied to government and public sector employment. These systems differ across countries. In general, in non-oil exporting countries, they are financed by taxes on a pay-as-you-go basis, whereas in oil-exporting countries they are mainly financed by transfers from the State budget. However, in many cases these schemes are insufficient to ensure a decent life for older persons, who often depend on family to supplement their limited income. Older women are particularly likely to depend on family, while some older men continue to be active in the labour market.³⁸ Meanwhile, a huge portion of society working in the informal sector lacks this minimal social security coverage, as do women who did not participate in the labour force. In the formulation of fiscal policies, countries must consider that women generally outlive men. At age 65 or older, there will be an estimated 96 men for every 100 women in the Arab region in 2050, and at ages 80 or older there will be only 71 men for every 100 women.³⁹

Some Arab countries have established social security systems that are fiscally unsustainable because they are either based on revenue from non-renewable resources or based on financing structures that cannot be carried over in the future. Such pension schemes have already resulted in extra pressures on the budget and on labour markets. When facing the transition to an older population, the cost of pensions will increase dramatically, and if they are financed by taxes, pensions will exert extra pressures on government budgets. Finally, in many Arab countries public pension schemes incorporate redistributive elements including providing pensions for the disabled, widows, and orphans. As the share of the population of working-age begins to decline, it will become more difficult to finance such programmes, and the cost will exert greater pressure on government budgets.

Thus it is clear that the design of the fiscal policies in Arab countries has not raised sufficient revenue to meet expenditures. Moreover, expenditure on public services and social security schemes has been inefficient both fiscally and socially and is unlikely to meet the challenges associated with future demographic changes. A complete revision of these policies is therefore required.

2. Fiscal policy opportunities and challenges of a growing working-age population

The implications of the age-structural transition from a fiscal perspective depend on a large number of variables. For example, as the population ages, the labour force will comprise an increasing share of older workers. One positive fiscal effect is that older workers with seniority command higher wages, and their wages could potentially offset an increase in public expenditures on pensions. In addition to positive fiscal effects, Arab countries are also expected to face major challenges.

(a) Provision of public services

It is crucial that policymakers are proactive in designing the most appropriate, timely and effective policies. For example, the shift of focus of education from improving access to enhancing quality and to on-the-job training should take place gradually in Arab countries. In terms of health services, the focus also needs to shift from younger to older populations. Policymaking must anticipate those changes and shift resources accordingly.

One challenge to the provision of public services is that age-structural transition does not follow a regular pattern, thus there are major uncertainties as to resource allocation to different sectors of social spending. For example, education expenditure is expected to decrease as the number of children decreases; however, training needs for working-age populations are expected to increase. Similarly, health expenditure may decrease as healthy lifestyles and modern medicine compress morbidity to shorter periods. Yet, modern

³⁸ Rashad and Khadr, 2002, pp. 49-50.

³⁹ Calculated from United Nations Population Division, 2013.

medicine may also extend periods of disability by forestalling death, without necessarily improving the quality of life at substantial cost.⁴⁰ Both trends have different budgetary implications, but there is a lack of empirical evidence from countries which have experienced age-structural transitions to state definitively which scenario is more likely.

(b) *Structure of government spending*

Government spending must consider the distribution of the budget between sectors, but also within each sector, and account for the needs of different age groups. For example, as the population of children decreases, the resources devoted to primary education will need to be transformed to meet the increasing demand for higher education as those leaving secondary education will attempt to gain more advanced qualifications.⁴¹ Regarding the financing of health care in the context of demographic change, there is also an epidemiological transition where the burden of morbidity and mortality shifts from relatively simple and low-cost preventive and curative interventions against communicable diseases and injuries towards non-communicable diseases (such as diabetes, heart disease and cancer), which require more complex and costly interventions. Those changes have significant implications for health care expenditures.

(c) *Changing living arrangements*

Studies of the family in the Arab region have indicated that the living pattern and dependency of older persons is likely to change in the future from extended family units being the norm towards more nuclear living arrangements.⁴² Arab Governments must consider changes in household incomes or the increasing need for special care facilities for older persons when designing new fiscal policies.

(d) *Sustaining fiscal outlays*

Another challenge is to provide sustainable financing to maintain and expand public services and social security of older persons. Sustaining fiscal outlays implies a major fiscal burden on Arab countries, and pension or social security schemes must consider the financial aspect.

(e) *Tax base*

It may be necessary to increase taxes to finance benefits for older persons, and increasing tax rates implies raising real wages and widening the tax base. In other words, the role of older persons in terms of providing capital and hence helping in the process of capital deepening is not automatic and requires additional financing from the Government to raise real wages. The tax base may need reform to ensure efficiency.

(f) *Public debt burden*

The high level of public debt and its impact on the future generations is a cause for concern. The increase in the working-age population and thus the tax base could be used to bring debt levels under control without resorting to austerity measures which are harmful to growth and social development.

As illustrated in the foregoing examples, demographic changes, social trends and economic policies could combine to exacerbate the fiscal pressures of the age-structural transition if they are not handled carefully. These trends involve the changing costs of health care and education, and changing social insurance and welfare commitments, particularly to older persons. Furthermore, the tax base and family living patterns are also in transition and the change of age structure may lead to increasing budget deficits. If proactive policies are not adopted, Arab Governments will have to either increase taxes and social security contributions, lessen outlays for social security, run a budget deficit, or a mixture of those three options.

⁴⁰ Chawla and others, 2007, pp. 212-213.

⁴¹ Bloom and others, 2001, pp. 58-59.

⁴² Rashad and Khadr, 2002, p. 51.

3. *Ensuring fiscal sustainability in ageing societies: What kind of policies should be adopted?*

Reforms in response to demographic changes should target the tax system and the social security system with special emphasis on pension schemes. Fiscal sustainability could be improved through adjustments to policies that impact migration and employment.

(a) *Reforming the tax base*

The change in the tax base and the need to finance benefits for older persons requires the gradual change of focus of tax policies from income taxes to consumption and capital taxes. The change in the tax base, which will shift the burden onto older persons, can have serious distributional effects if not handled prudently.⁴³ In other words, adapting the tax policy by shifting the burden onto older persons through capital tax should be carried out in tandem with an efficient social security system that ensures a decent life for older persons.

Alongside reform of the tax base, Arab countries should also focus on improving the efficiency of spending on public services by adopting cost effective mechanisms, avoiding rigid budgeting mechanisms in public services agencies, and introducing accountable systems to monitor performance. This will ensure that the additional income raised through tax base reform is spent on appropriate measures.

(b) *Reforming the pension system*

In dealing with their own age-structural transition, European countries increased the retirement age as a way of ensuring the sustainability of pension funding. That solution may not be appropriate for many Arab countries, given that unemployment is high and labour markets are tight. Instead, Arab Governments must change the sources of contributions and levels of benefits of the pension system itself.

In addition to being financially sustainable, pension schemes must expand to include populations that are currently excluded. Governments should consider shifting from pay-as-you-go systems to fully funded systems where individuals save for their own retirement, so that the pension system can be expanded in a sustainable way. To successfully implement a fully funded system, Governments must first establish an efficient financial system that is able to provide high-quality savings vehicles and also establish institutions to regulate and manage pension funds.

Finally, pension schemes should ensure a decent life for older persons without burdening the working-age population, which will decline in number in the future. In the context of GCC countries, large and generous pension schemes are at further risk because of the potential decrease in the price of oil and natural gas, or the depletion of those resources. In addition, pension systems should provide a reliable minimum benefit guarantee that effectively protects people against poverty and allows older people to live in dignity. Pension policies should be designed along the principles of non-discrimination, gender equality and responsiveness to special needs.

To conclude, the conventional means applied in other countries to deal with demographic changes including extending the retirement age are not necessarily appropriate for Arab countries. Hence, there is an urgent need to ensure the effectiveness of spending and expenditure schemes, with a special emphasis on reforming the tax base and pension schemes. The improvement of these schemes can lessen the fiscal burden and ensure fiscal sustainability. A fundamental principle underlying these reforms must be that they do not negatively affect, but indeed actively improve, the living conditions of older persons.

⁴³ Auerbach, 2012, p. 15.

C. FINANCIAL POLICIES

1. *Saving patterns in Arab countries and policies in place*

Theoretically, Arab countries should enjoy increased savings as the share of the working-age population increases. These savings can be mobilized as domestic sources of investment for development. As the working-age group reaches old age, savings are expected to decline and older persons will consume savings and pensions to support themselves in retirement. Given the importance of emigration in the Arab region, remittances play an important role in income and savings. In 2011, the top 20 recipients of remittances in the world included three Arab countries: Egypt (US\$14.3 billion), Lebanon (US\$7.6 billion) and Morocco (US\$7.3 billion), amounting to more than US\$29 billion. In total, the Arab region received more than US\$43 billion in remittances.⁴⁴ Comprehensive information is needed on the efforts of Arab countries to establish channels to enhance the flow of remittances into productive investments. Furthermore, it is extremely important to understand the role and implications of savings in the development policies that respond to age-structural transitions.

However, savings and investments in the Arab region cannot increase unless the working-age group has more opportunities for decent employment. There is also the challenge of encouraging saving and channelling savings into investments. Financial markets must be developed to be able to accommodate the increased savings that could result from the demographic dividend and to provide productive investment options so that savings are not channelled into unproductive investments such as gold or second houses.

However, the majority of Arab countries suffer from the persistence of underdeveloped financial markets dominated by the banking system; an inefficient insurance sector; a lack of financial deepening;⁴⁵ modest capital markets, if they exist at all; and weak investment environments. Despite efforts to liberalize the financial system in Arab countries beginning in the mid-1980s where efforts to reduce financial repression and move to more competition took place, the financial system has remained relatively underdeveloped and its role in enhancing investments and spurring economic growth has remained quite limited. The failure of the financial system to undertake its role has been mainly related to State control of economies and the proliferation of State-owned banks. For example, there is no mortgage market in Arab countries; several Arab countries have no stock exchange and those that do tend to have low market capitalization ratio.⁴⁶ Mandatory insurance is absent from key sectors.

The insurance sector has remained underdeveloped for a number of reasons. The State may play too strong a role for the sector to develop independently, and gaps in regulation and supervision may also hinder its development. Tax and market characteristics may be ill-adapted to the development of the sector, and the products that are currently available may fail to meet the cultural or religious preferences of the market. Also, in the majority of Arab countries, public rather than private pensions play a significant role as providers of retirement savings. However, notable examples of the reform of public pension schemes and the development of private pension schemes have taken place in some countries, such as Egypt and Jordan.

Even in the banking sector, loan-to-deposit and liquidity ratios have been relatively high in Arab countries, showing that there is limited channelling of savings into investments. There are no data available on the types of investments made, but anecdotal evidence shows that investments have been directed into unproductive activities, namely real estate and financing government debt. Moreover, credit provided to households has shown an increase at the expense of credit directed to the corporate sector.⁴⁷ Finally, political instability and conflicts in the region have, in addition to increasing unemployment and leading to fiscal problems, had significant negative impacts on savings.

⁴⁴ Zohry, 2013, p. 35.

⁴⁵ Financial deepening refers to the increased provision of financial services with a wider choice of services that are tailored to all the levels in the society.

⁴⁶ Market capitalization (also known as market value) is the share price times the number of shares outstanding. Listed domestic companies are the domestically incorporated companies listed on the country's stock exchanges at the end of the year.

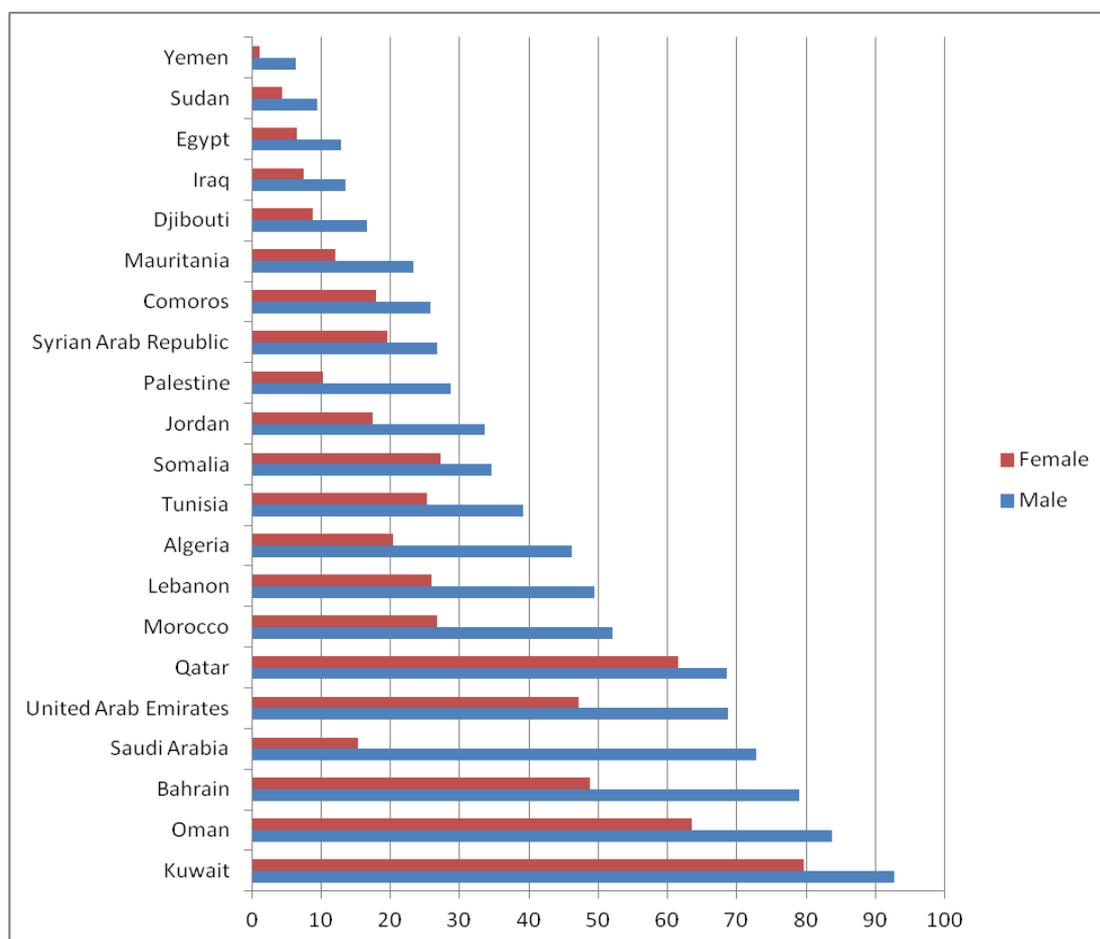
⁴⁷ L'Hotellerie-Fallois and others, 2012, p. 3.

Yet even if the financial system in general, and the banking sector in particular, were efficient, funds available from savings are generally channelled to large enterprises, while SMEs remain largely deprived from access to finance, despite the fact that they constitute the vast majority of enterprises in the Arab region and are a significant employer. For example, in 2006 it was reported that SMEs make up 92.5 per cent of enterprises in Egypt, and provide 63.6 per cent of private employment.⁴⁸ Most Arab countries have stated that SMEs should be an engine for growth, but have yet to define a comprehensive strategy for them. A related issue is the reluctance of financial institutions to lend to SMEs due to the high risk involved and the weakness of their human capital. Public policies have been unable to correct for this market failure.

Moreover, women and youth face more problems in accessing credit, in part because they are far less likely than men to have a bank account, which hinders their ability to save. Figure 2.1 illustrates the gender gap in formal bank accounts.

The majority of Arab countries also still lack mechanisms to channel remittances into productive investments. There are no special investment facilities for the savings that migrants bring with them when they return home or for the remittances they send while aboard. Thus low wages combined with an inefficient financial sector and the absence of facilities to channel savings into productive investments will also diminish the advantages of the age-structural transition.

Figure 2.1. Bank account penetration by sex in selected Arab countries



Source: World Bank (N.D.) Global Financial Inclusion Database. Available from <http://datatopics.worldbank.org/financialinclusion/>.

⁴⁸ Pearce, 2011, p. 4.

2. Maximizing and channelling savings to investment

(a) *Development of financial markets*

Arab countries must undertake structural reforms including expanding the coverage and depth of credit bureaus, improving the collateral regime (especially for movable assets), and increasing competition between banks and other financial institutions. Steps must also be taken to strengthen insolvency regimes and credit reporting systems, and to protect the legal rights of creditors and investors. Existing direct policy interventions through public banks, guarantee schemes, lower reserve requirements and subsidized lending and other measures have played a role in compensating for the weak financial infrastructure of Arab countries, but there is still an urgent need for sustainable structural solutions.

The creation of secondary markets such as the corporate debt market can complement the options for financing productive activities. The development of the insurance market is also an important by-product of enhancing savings in a way that factors in the change of age structure. The lack of development of the insurance sector is a matter of concern, as that sector can contribute to both financial and economic development while addressing the needs associated with changes in age structure. Among the urgent reforms needed in this sector is the wider introduction of mandatory insurance lines that have clear positive externalities, enhance competition in the insurance sector, and develop new products such as *Takaful*, a long term insurance product that conforms to principles of Islamic finance.

(b) *Reforming pension schemes*

Inefficient public pension schemes can lead to low levels of saving. Generous and large public pension schemes may lead to negative outcomes such as early retirement, a reluctance to save and decreased capacity of beneficiaries to invest.

Consequently, the development of a private pension system as a substitute for the public pension system, which so far has been relatively underdeveloped in the Arab countries, will also help to enhance household savings. Public pensions are a major source of retirement income, they accumulate large amounts of reserves, and they are important institutional investors, yet the strength of public pensions will diminish as age structures change. The shift to private pension systems would encourage individuals to save and should begin as soon as possible to lessen the financial burden on Governments. Meanwhile, urgent reforms of public pension system are needed, especially in their governance and in setting a ceiling on contributions made by individuals and Governments.

Large groups of foreign workers in GCC countries lack social security. GCC countries should adopt a funded pension scheme to foster retirement savings to replace ineffective severance benefits.

(c) *Enhanced access to the financial system for individuals and SMEs*

Changes in age structure make securing microcredit and finance for SMEs urgent, especially from a gender perspective. There is a need to ensure the availability of suitable collateral for SMEs, as requirements in this regard are currently substantial. According to the World Bank Enterprise Survey, the Arab region has the lowest percentage of firms with credit lines or loans from financial institutions, at 25.07 per cent, compared to 56.92 per cent for Eastern Europe and Central Asia, 54.97 per cent for Latin American and the Caribbean, and 45.02 per cent for South Asia. Moreover, survey data from seven Arab countries show that firms requesting loans are required to have large amount of collateral. On average, 82 per cent of loans require some type of collateral. Improving the means of providing credit without excessive collateral requirements has helped to alleviate this constraint in other countries and can reasonably be expected to do the same for Arab countries.⁴⁹ Credit guarantee schemes in Arab countries have focused on relatively large

⁴⁹ De la Campa, 2011, p. 33.

enterprises⁵⁰ implying that there is still a need to extend this service to SMEs to ensure that financial inclusion becomes a reality in the Arab world. This in turn entails efforts to enhance the capacity of SMEs to deal with formal financial channels, and may also require the engagement of central banks in the region to create specific mechanisms for financing SMEs.

In the short-term, microcredit is needed to enhance the self-employment of older persons and women, who often lack the collateral required for conventional credit. Success stories such as Grameen Bank (see box 2.2) provide examples of the provision of finance to the poor in rural areas. Market forces will fail to provide a solution for the poor. Arab countries should therefore think of interventionist policies to correct that failure. For example, countries can introduce laws that devote a certain percentage of loans to SMEs, out of which a certain percentage should be for projects owned by women. Countries can enhance their understanding of SMEs in each industry, and extend the reach of microcredit to rural areas. Currently, the majority of Arab countries either lack the institutional framework for microfinance, or have weak regulatory frameworks. However, some Arab countries have begun to adopt specific laws on microfinance and SMEs. The introduction of microfinance laws in the Syrian Arab Republic and Yemen in 2008 followed by similar laws in Palestine and Egypt in 2010 represents a step in the right direction, though the enforcement of these regulations has come under scrutiny.

Box 2.1. Success of Grameen Bank

The work of Bangladeshi economist Muhammad Yunus, and the Grameen Bank which he set up, have more than demonstrated the value of microcredit. Beginning with US\$50 and 20 borrowers, Grameen expanded rapidly: it now lends over US\$400 million annually to a membership base of over 2 million. The Grameen Bank concentrates on lending to women, who now make up 94 per cent of its clientele. So far, almost half a million houses have been built as a result of its efforts. The repayment rate of over 98 per cent would be the envy of all mainstream banks and persuasively refutes the argument that the poor are inherently high-risk borrowers. Professor Yunus has also used the Grameen Bank to develop a range of social initiatives, including housing, sanitation, and education programmes.

Source: Bloom and others, 2001.

Moreover, the extension of bank accounts to all people, especially women, will allow formal financial institutions to benefit from greater savings and to channel savings into productive investments. Competition between financial service providers to reduce transaction costs associated with access to savings and investments can play an important role in expanding access.

The development of greater financial inclusion by enhancing access to credit and mechanisms for saving, intermediation between savings and investments, and productive investment outlets is likely to have positive spillover effects on, and to be reinforced by reforms on different fronts essential to benefit from the demographic dividend. By encouraging savings among the growing working-age population it will increase savings, which can then be channelled into productive investments and create jobs. For this to occur in Arab countries, Governments must develop financial markets, formulate laws and regulations governing the rights of investors, improve the business environment, and create incentives to enhance savings and investments.

D. CONCLUSION

Labour markets in the Arab countries have been facing problems including high unemployment rates, especially among women and youth, low participation rates, especially among women, a youth bulge, low productivity, an inflated and inefficient public sector, and a widening informal sector. The policies already in place have fallen short of dealing with these problems and, in some cases, may even have contributed to

⁵⁰ Saadani and others, 2011, pp. 5-6.

them. Inefficient policies included rigid labour rules and regulations, and weakly enforced policies that failed to keep up with changes to the economies of Arab countries.

The fiscal implications of the age-structural transition are complicated by several variables that can alter the outcome, especially in terms of expenditure. Arab countries face a number of challenges associated with the age-structural transition that could have serious implications for their fiscal stance if not well-managed. Among such challenges are the need to re-evaluate the focus of expenditure on social and public services, the changing life pattern in the Arab families, and the expected increase in social spending in light of the Arab uprising.

The financial implications of changing age structure can, in theory, lead to an increased level of savings. However, there are a number of obstacles to enhancing savings and efficiently channelling savings into investments in the Arab region. The underdevelopment of the financial markets in terms of modest insurance and private insurance schemes, lack of secondary markets, weak stock markets, absence of mortgage and relatively inefficient banking sector, implies weak intermediation between savings and investments.

Moreover, the interlinkages between these areas of focus are strong: reform of pension schemes, for example, will have implications for the labour market, fiscal policy and financial policies. Thus reforms to economic policies to take advantage of age-structural transitions must take a perspective that is comprehensive, and must be coordinated to ensure the maximum social and economic development outcomes.

III. SOCIAL POLICY IMPLICATIONS OF AGE-STRUCTURAL TRANSITIONS IN ARAB COUNTRIES

As people move through their lives, the nature of their needs and potential contributions to society change. The aggregate effects of the demographic transformations underway in Arab countries mean that these changes are not only important for individuals, but for society as a whole. Age-structural transitions affect the nature of societies, challenging the assumptions underlying social contracts and policies. Social policies, particularly social protection policies, must therefore adopt a demographically sensitive life course approach to account for the different priorities and inputs of each age group and thus enable all members of society to benefit from and contribute to the gains of development, develop their own potential and live a dignified life in a sustainable way. Planning for the development of social protection systems must also consider that age-structural transitions will affect the sources of funding and the kinds of services that the population will need.

Arab countries have a long tradition of social and family solidarity that is reflected in their systems of government and social security arrangements. Social security policies in most Arab countries tend to offer untargeted subsidies combined with need-driven social insurance programmes providing long-term benefits for old age, disability and survivorship. They also tend to target specific socioeconomic cohorts such as public sector employees and persons with disabilities.

Education is also a core aspect of social expenditure and its share of government expenditure has been on the rise. It is worth noting that increasing social expenditure correlates positively with decreasing military expenditure (table 3.1).

TABLE 3.1. DISTRIBUTION OF PUBLIC EXPENDITURE AND RELATIVE SHARE OF SOCIAL EXPENDITURE IN SOME ARAB COUNTRIES
(Percentage)

Country	Public social expenditure						Other
	Year	Education	Health	Social Security	Total social expenditure ^{a/}	Military expenditure	
Egypt	1980	7.25	2.08	8.35	17.68	8.92	73.40
	1990	14.0	2.81	12.89	29.70	11.47	58.83
	2000	19.87	4.58	3.05	27.50	9.85	62.65
	2004 ^{b/}	21.28	5.59	1.42	28.29	10.45	61.26
Morocco	1980	17.30	3.38	5.15	25.83	17.94	56.19
	1990	18.19	3.00	5.41	31.34	12.89	55.83
	2000	18.26	3.37	10.15	31.78	13.13	55.09
	2004	20.78	4.01	12.84	37.63	12.87	49.50
Tunisia	1980	17.05	7.20	7.45	31.70	12.21	57.09
	1990	17.03	6.12	14.19	37.34	5.82	56.84
	2000	23.42	19.36	15.86	58.64	5.17	31.17
	2004	26.47	7.07	24.46	58.00	6.49	35.51

Source: IMF National Finance Statistics.

Notes: Details and percentages do not necessarily add up to totals, because of rounding.

^{a/} Excludes food subsidies.

^{b/} Data are estimates.

Despite these relatively high levels of expenditure, social protection schemes in Arab countries suffer from major failings: the majority of schemes are not rights-based; their governance is fragmented and weakly coordinated; they only provide support to certain categories of workers in the formal sector of the economy; and they often do not provide coverage in case of unemployment, sickness, maternity and for the support of children, nor do they provide access to appropriate health-care benefits.⁵¹ As noted in chapter II, the efficiency of spending is low; meanwhile subsidies, although they contribute to reducing poverty, are expensive for States to maintain, and health care outside GCC countries requires users to pay most costs out-of-pocket. As box 3.1 shows, these trends have been exacerbated by recent events in certain Arab countries.

Box 3.1. The Arab uprisings and social protection systems

The Arab uprisings have had a severe negative impact on the public finances of many Arab countries. Nevertheless, most Arab countries, including some which did not experience uprisings, introduced or expanded many social protection measures. There seems to be a little difference in the social protection response between countries that are able to fund the increase in social protection and those that are fiscally constrained or have been hit by the recessionary effects that accompanied the Arab uprisings. Pensions in GCC countries have increased on average by more than 50 per cent. The increase in pensions outside GCC countries was generally more modest, though still significant. For example, minimum pensions increased by 15 per cent in Egypt; by 30 per cent in Algeria; and by almost 70 per cent for both the public and private sectors in Morocco. Moreover, unemployment benefits were introduced or were expanded. Most Gulf States as well as Algeria, Egypt, Morocco and Tunisia also increased their bills for food subsidies. Similar patterns apply to the case of cash assistance and other transfers, for example, allowances and bonuses. However, the changes that are occurring in the social protection systems of Arab countries are not necessarily based on rights-based or demographically-sensitive approaches, but rather appear to be designed to fulfil an immediate political need.

Social protection responses of selected Arab countries to recent uprisings

Country	Changes in old-age pension	Food subsidies	Unemployment benefits	Cash transfers
Algeria	X	X	*	
Bahrain	X	X	*	
Egypt	X	X	X	X
Iraq				X
Jordan	X	X		X
Kuwait		X	*	X
Libya				X
Morocco	X	X	X	
Oman	X	X	*	X
Qatar	X			X
Saudi Arabia			X	X
Syrian Arab Republic			X	X
Tunisia			X	X
United Arab Emirates	X	X		X
Yemen				X

Source: ILO and UNDP, 2012, p. 93.

Note: An asterisk (*) indicates that various forms of unemployment benefits existed prior to 2010.

Thus there is need for major reform of social protection systems in Arab countries. This chapter will outline what is required of a social protection system which takes into account the needs and potential of different age groups across the life course and it will assess the extent to which the Arab countries fit this ideal picture. It will then consider how age-structural changes are likely to affect the needs this system will

⁵¹ ILO, 2009.

have to address and the funding sources it can access. It will then discuss approaches to assist Arab countries to reform their social protection systems to make them more appropriate to their changing populations.

It will also consider how the age-structural transitions will bring about changing roles within the family and society in Arab countries will affect social institutions, and the steps various stakeholders should take to ensure that these changes occur smoothly.

A. IMPLICATIONS FOR SOCIAL PROTECTION SYSTEMS

Social protection policies help people to “maintain their living standard when confronted by contingencies such as illness, maternity, disability or old age; market risks, such as unemployment; as well as economic crises or natural disasters”.⁵² They are important in both the short- and long-term in the context of age-structural transition. In the short-term, they provide vital assistance to protect people from the immediate consequences of shocks, and a stable basis for recovery across the life course. In the long-term they help people to strengthen their human capital and expand their scope of opportunity.

While the need for social protection is consistent, the exact nature of the needs of the population changes over time, as does their ability to contribute to social protection systems, which calls for a life course approach to social protection. Some examples of the varying needs and potentials of different age groups are given below, along with an assessment of responses in Arab countries.

1. *Children*

“Children face age-specific vulnerabilities ... such as increased vulnerability to malnutrition, disease and abuse”.⁵³ In some cases, the failure to address childhood vulnerabilities can have long-term consequences on the health and well-being of individuals throughout their lives. In addition, children are likely to inherit their caregivers’ disadvantages and vulnerabilities, such as poverty and social status. Thus any social protection approach that aims to improve the situation of children should consider the situation of the household as a whole. Finally, in their formative years, children require support and access to services, particularly education, to ensure that they can meet their full potential.⁵⁴

Thus social protection for children includes measures such as financial support for caregivers, including through cash transfers which can be made conditional on factors such as school attendance or regular health check-ups, as well as specific transfers of in-kind goods such as nutritional supplements. In addition, social protection systems targeting children must provide universal access to health services, especially immunization against common diseases and educational services to set the basis for longer-term human development.

In Arab countries, pre-tertiary education is usually provided free of charge. Basic health services, mainly vaccinations and health insurance for school-age children are usually also provided free of charge. Children benefit from food subsidies provided to their families. Ministries of social affairs or equivalent bodies provide social protection services for needy children and street children either directly or through partnerships with non-governmental organizations. Direct cash transfer programmes are also implemented in some Arab countries to help needy children. Table 3.2 presents some of the conditions for the provision of these benefits. Pension transfer to descendants after the death of the insured care taker of the family is also a common practice in all Arab countries, though the conditions and age limit of the descendants vary between countries.

⁵² UNRISD, 2010, p. 135.

⁵³ UNICEF, 2012, p. 18.

⁵⁴ Ibid.

TABLE 3.2. CHILD SOCIAL PROTECTION BENEFITS IN SELECTED ARAB COUNTRIES

Country	Description of benefits
Algeria	Children under age 17 (21 if student or disabled) are eligible. To qualify for the benefit, the insured (the child's caregiver) must earn less than half the legal minimum salary, have a disability or illness, or receive unemployment benefits or pension.
Lebanon	Children under age 18 are eligible. Maximum monthly allowance is 75 per cent of the minimum wage, including a lump sum of approx. US\$40 paid to the mother and approx. US\$22 for each child.
Morocco	Children under age 12 are eligible, up to age 18 if the child is an apprentice or up to age 21 if a student. The child must reside in Morocco. To be insured, the caregiver must have at least 108 days of contributions in the previous six months of coverage, and earnings of at least 60 per cent of minimum wage. The benefits for insured workers are around US\$24 a month paid for each of the first three children and additional US\$4.30 a month for each of up to three additional children.
Tunisia	Children younger than 16 are eligible and the benefits are paid for up to three children. For the first child, the amount is 18 per cent of the earnings of the insured, 16 per cent for the second and 14 per cent for the third.

Source: Available from <http://www.issa.int/country-profiles;jsessionid=C48D1281382629318AD7751E7C42B3CB>.

Arab countries have made great strides in the provision of health care for children as evidenced by the reduction in infant and child mortality rates. Arab countries have also made significant progress in improving access to education for the 6-14 age group. Regional progress in net enrolment rates has been comparable to that of other developing regions. Around 85 per cent of children of primary school age in the region went to school in 1999, a rate that rose to 92 per cent in 2010. Between 1999 and 2010, 7 million additional pupils were enrolled in primary education in the Arab region.⁵⁵

However, despite this strong progress, an enormous effort is needed to reach the goal of universal primary education (MDG 2) by 2015. In the Arab region, around five million more children must be enrolled in school to achieve universal primary education. Many of those children live in LDCs where enrolment rates are well below the regional average. Furthermore, a stronger focus on the quality of education is needed: dropout rates remain high, while international comparisons of the quality of education regularly rate Arab countries, including wealthier Arab countries, below the international average.⁵⁶

2. Youth

Youth are at a transitional stage of their lives. It is a stage of "high demographic density" as young people move from schooling to further education or employment, from being dependents to producers, and from members to heads of their own households. This is a period of significant potential: if these transitions are well-managed and successful they will set the stage for sustainable long-term human development. At the same time it is a period full of risks: if these transitions are handled poorly, young people will face long-term obstacles.

Social protection for young people should therefore support their transitions by providing services and information to help them make decisions. It should provide specialized support to help them overcome disadvantages encountered earlier in their lives. Such services should include, as a minimum, the provision of high-quality tertiary education and technical and vocational training and education; appropriate health

⁵⁵ UNESCO, 2012, p. 7.

⁵⁶ World Bank, 2008. See also TIMSS and PIRLS, 2012, which show students from Arab countries consistently towards the bottom in terms of achievements in reading, mathematics and science.

services, including sexual and reproductive health services; and support for the unemployed and for first-time job seekers.

Only a few Arab countries have introduced unemployment insurance schemes. As table 3.3 shows, many of these schemes provide benefits only to those that have already paid into the system, thus excluding youth and first-time job-seekers. Bahrain is an exception, as it has a scheme specifically to support first-time job-seekers.

TABLE 3.3. UNEMPLOYMENT BENEFITS IN SELECTED ARAB COUNTRIES

Algeria	50 per cent of the average wage received during the 12 months preceding termination. The worker qualifies for benefits if the following criteria have been met: <ul style="list-style-type: none"> - Unemployment is involuntary and the worker has contributed for at least three years (including the six months before unemployment); - The worker does not receive income from any professional activity; - The worker has been looking for employment for at least three months; - The previous employer made all required social security contributions.
Bahrain	Insurance is provided to the unemployed, including support for the integration of new entrants to the labour market. The benefits cover both national and foreign workers and are financed by contributions from workers, employers and the Government. Assistance rates are based on previous employment history: those who have completed the minimum contribution period receive compensation related to their prior earnings, while new entrants to the labour market are paid a flat rate.
Egypt	Coverage is limited to those who have paid contributions for at least six months, including the three months directly preceding unemployment. Consequently, new entrants to the job market are not covered. To be insured, the unemployed must report regularly to the employment office. Those who qualify receive 60 per cent of their last monthly wage. The benefit can be paid for up to 16 weeks.
Jordan	Those who have paid a minimum of 12 quarters of contributions are eligible for insurance. Unemployment must be involuntary and the worker must register at an employment office. The salary of the unemployed worker is paid up to 12 months.
Tunisia	Employees over age 16 working in private establishments with at least 5 workers are included, while self-employed persons and certain categories of government and public-sector employees are excluded. Cash benefits are paid for up to 3 months for the unemployed who made contributions for fewer than 180 months and up to 6 months for the unemployed who made contributions for 180 months or more. 75 per cent of the covered wage is paid for the first month; 65 per cent for the second month; 55 per cent for the third month; and 45 per cent for the fourth to sixth months.

Source: Available from <http://www.issa.int/country-profiles;jsessionid=C48D1281382629318AD7751E7C42B3CB>.

Arab countries also target youth employment through active labour market policies such as public employment services, technical and vocation training and education programmes, employment subsidies, public works programmes, and SME and micro enterprise development. However, the impact of these policies has been limited, reaching only a small proportion of the target population. The policies are poorly integrated with broader strategies, leading to limited coordination between service providers and fragmented services.⁵⁷

Access to quality health care is a problem for youth across the region, as it is for people of all age groups. The access of youth to health care is of particular concern, however, given that youth are entering a stage of sexual maturity in which they are likely to marry and may lack awareness of issues related to sexual

⁵⁷ ESCWA, 2012b, p. 37.

and reproductive health. Surveys show that only half of Arab youth were well-informed about sexually-transmitted diseases. Moreover, first-time mothers in the region are often in the youth cohort. They may have limited access to appropriate care, especially if they are living in rural areas.⁵⁸

Finally, despite often nominally being free or low-cost, tertiary education remains a privilege in Arab countries. The mean enrolment rate at the tertiary level of 25.8 per cent throughout the region does not compare favourably with other regions such as Latin America or South East Asia.⁵⁹

3. Working-age population

The working-age group carries the burden of younger and older people. In addition to health services, employment-related services are a priority for this group. Beyond income support schemes for the unemployed, this group requires support to upgrade the skills of its members and support their entry into or continued employment in the formal sector in changing economies. This is increasingly relevant as Governments cease to be the employer of first resort (see chapter II). It is also extremely important for the working-age group to pay into pension schemes to prepare for retirement.

However, given the design of social protection systems and the share of the informal sector in total employment in the Arab region, only a small share of the unemployed population receives benefits. The low rate of coverage reflects the high share of unemployed youth and the restrictive conditions that must be met to be eligible for these benefits. Meanwhile, training programmes tend to focus on youth and males rather than the working-age more generally, while opportunities for self-employment through the creation of SMEs are limited by the relatively small scale of SME development programmes. Programmes make very little effort to target women, and where they do they tend to emphasize areas of work such as handicrafts that are deemed appropriate for women, rather than economic activities with higher added-value.⁶⁰

Meanwhile, the coverage of pension schemes is limited to workers in the formal sector of the economy. On average only one third of the workers in the Arab region are covered by pension schemes, but the average varies widely from 8 per cent in Yemen to 87 per cent in Libya.⁶¹ Given the low rate of female employment, women are largely excluded from pension schemes, and “few countries reach coverage rates of more than 10 per cent of the population for women”.⁶² This implies that 20-30 years from now, the vast majority of older women will be uninsured. Increasing the rate of female participation in the labour force is another challenge that Governments should tackle to ensure that women will benefit from pension schemes when they reach retirement age.

Arab Governments must aim to increase the share of the working-age population that is employed in the formal sector through education, training and economic reform, and to increase the rate of labour-force participation, especially among women. If they are able to achieve those objectives, contribution to pension funds will increase, which will strengthen pension systems. However, if the current high share of informal employment and the high unemployment rate continue, Governments will face other problems that will affect pension funds and that may lead to social and even political instability.

With respect to health care, some Arab countries have markedly increased their per capita health spending in recent years and stepped up their effort to enhance the quantity and quality of health-care services. However, the growth in real health expenditure was not commensurate with the needs of the

⁵⁸ ESCWA and United Nations Programme on Youth, 2010.

⁵⁹ World Bank, 2008, p. 15.

⁶⁰ ESCWA, 2012a.

⁶¹ Abu-Ismaïl and others, 2011, p. 21.

⁶² ILO, 2009, p. 4.

population. For instance, the limited coverage of pre-paid health funding mechanisms in some countries has led to a high level of out-of-pocket payments in many Arab countries. Lack of protection against unaffordable health expenditure is one of the critical factors contributing to vulnerability and poverty of all age groups. The impact on the working-age group in particular is significant as they have to pay for both older and younger dependents. Pre-payment systems (such as health insurance) offer some protection against such risks, as they pool risks into larger groups and spread the cost of health protection over a longer time. Increased efforts to establish or extend mechanisms of social health protection can ensure that, at a minimum, all people have access to basic medical services.⁶³

Migrant workers are covered by the relevant social security systems in North Africa and in non-GCC countries. Yet in GCC countries there is no such provision, apart from employment injury protection. In addition, domestic workers, who are almost exclusively women, are generally excluded from even these systems. Thus a huge proportion of the population in GCC countries is left without protection in case of old age, disability and death. Some GCC countries are aware of the need to offer better protection for migrants, and one positive example in this regard is Bahrain, which includes protection of migrant workers in its new unemployment insurance scheme.⁶⁴

4. *Older persons*

Arab countries are likely to face two main challenges regarding older persons in the future: sustaining pension funds and providing health services. Life expectancy at birth is expected to reach 86.3 years in Lebanon and 82.4 years in Tunisia in 2050 which means that on average, people will live about 20 years after retirement. Pension schemes and health services must be prepared to meet the needs of older persons. More attention must be devoted to ensuring that the health sector can provide appropriate care. More physicians and nurses specialized in geriatric medical services will be needed and society must also be prepared to accept and respond to the needs of older persons. Meanwhile, social protection systems should be designed to provide older persons with an income that allows them to live with dignity after retirement.

The needs of older persons are changing; advances in health care mean that older persons not only live longer, but also remain active for longer. Unlike younger age groups, morbidity among older persons tends to relate to non-communicable and chronic diseases, such as diabetes, hypertension and cardiovascular diseases, with older women particularly likely to also suffer from other conditions such as osteoporosis, breast cancer and obesity. The effects of these diseases can severely impact the ability of older persons to live independently, and they may become dependent upon female family members for support in addition to State systems of health care. Thus social protection systems for older persons must provide both income and health support, as well as support to caregivers. In addition, educational support for older persons who grew up before the expansion of education systems is essential, given the relatively low levels of literacy among older persons.

A considerable part of the social protection benefits provided to older persons in Arab countries are contingent upon contributions made earlier in life, and the benefits provided by these schemes remain modest. In most Arab countries, self-employed persons do not qualify for such benefits. The burden of declining income during retirement has prompted some Government employees to take collective initiatives to supplement their retirement benefits. In Egypt, for example, staff members of almost all Government organizations and universities have established private funds that pay the contributors a lump sum upon reaching the retirement age. Sums vary considerably from one institution to another and are calculated on the basis of the last salary multiplied by an agreed-upon number of months from 100 to 160.

⁶³ Abu-Ismaïl and others, 2011.

⁶⁴ Abu Hassan, 2011.

Meanwhile, some countries are embarking on reforms of their pension systems. For example, Algeria, Morocco and Tunisia have implemented a set of measures to reform their pension system (box 3.2).

Box 3.2. Examples from Tunisia, Algeria and Morocco on pension reforms

Tunisia implemented a series of measures in the 1980s and 1990s which gradually extended the scope of pension insurance coverage to previously unprotected groups of workers. 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 include elderly or disabled persons. The programme also grants the right to free care in hospitals. It covers 717,100 individuals in total, or 7 per cent 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 which provides compensation to those able to work and financial support to those unable to work due to old age and disability. The programme shows deficiencies as it covers only 20 per cent 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 per cent of the poor due to inadequate coordination with other agencies and lack of administrative capacity.

Source: Abu Ismail and others, 2011, pp. 22-23.

Widows without prior formal work experience who did not contribute to any pension plans and are not entitled to the pension contribution of their deceased husbands are usually covered under different pension schemes offered by Governments. Such plans usually provide meagre benefits that ensure the fulfilment of basic needs, especially in the low income countries. To a lesser extent, older males without prior contributions to any pension plans may also be entitled to those benefits. However, the likely surge in the number of widows by 2050 will entail a heavy burden on pension plans. Older women will be dependent on those pensions, especially if they never worked in the formal sector and were not enrolled in social protection schemes. Expanding social pension coverage for older persons, especially to older women, will be one of the major concerns of Governments.

Furthermore, in relation to health care, GCC countries tend to provide services free of charge to older persons, while other Arab countries tend to provide ad hoc services for older persons primarily in urban areas. Meanwhile, specialized geriatric medical personnel are relatively rare in the region, and only a few medical schools provide training in that area. Finally, informal caregivers receive relatively little official support, and only few specialist homes exist to take care of older persons, generally at high cost.

Having considered the services required by populations throughout the life course, it is important to consider how these services must adapt to the challenges of the age-structural transition of Arab countries.

5. *Population ageing*

The most significant change in this regard in the Arab region is the shift to increasingly older populations. As noted in chapter I, most Arab countries are already experiencing the expansion of the working-age and youth groups, while the share of children is decreasing. The population of older persons is also slowly increasing. However, this only represents the first stage in the dynamic age-structural transition process, which will be followed by increasing proportions of the population at more advanced ages.

Three indices have been used to ascertain the future prospects of population ageing in Arab countries and its likely impact on social protection systems. These indices are computed in table 3.4, namely: (a) the

old-age dependency ratio (the number of 65+ population per 100 persons in the working-age population 15-64); (b) the oldest old-age dependency ratio (the number of 80+ population per 100 persons in the working-age group); and (c) the ageing index (the number of 65+ population per 100 persons age 0-14). These indices are calculated for 2010 and 2050 to represent current and future prospects of age-structural transition in Arab countries.

TABLE 3.4. MEASURES OF AGEING IN ARAB COUNTRIES, 2010 AND 2050

Country	2010			2050		
	Old-age dependency ratio (65+)	Oldest old-age dependency ratio (80+)	Ageing index	Old-age dependency ratio (65+)	Oldest old-age dependency ratio (80+)	Ageing index
Algeria	6.9	1.0	17.5	21.8	3.3	70.8
Bahrain	2.7	0.4	10.4	26.7	4.7	135.6
Comoros	5.3	0.8	6.9	8.5	0.9	16.4
Djibouti	6.0	0.8	10.9	15.8	2.7	44.2
Egypt	8.7	1.3	17.4	18.7	3.5	56.3
Iraq	6.1	0.9	8.2	11.2	1.6	25.7
Jordan	5.5	0.6	9.7	19.5	3.4	56.9
Kuwait	2.9	0.3	8.5	15.9	1.8	57.3
Lebanon	12.5	1.9	35.6	42.2	13.3	192.0
Libya	6.9	1.1	15.5	28.9	6.0	110.4
Mauritania	5.5	0.6	7.7	9.6	1.1	19.6
Morocco	7.5	1.2	17.8	23.5	4.6	75.5
Oman	3.6	0.7	9.1	32.4	3.9	141.7
Palestine	5.1	0.6	6.6	11.9	2.1	29.3
Qatar	1.2	0.1	7.5	47.5	6.2	304.9
Saudi Arabia	4.5	0.9	9.7	28.0	5.5	115.9
Somalia	5.7	0.7	5.9	5.7	0.7	9.1
Sudan	5.7	0.7	7.5	9.3	1.2	19.9
Syrian Arab Republic	6.2	0.9	10.4	19.4	4.0	62.9
Tunisia	10.0	1.7	29.5	37.7	10.0	141.3
United Arab Emirates	0.4	0.1	2.5	38.3	1.9	219.3
Yemen	4.9	0.6	6.5	9.0	0.9	26.7
Arab region	6.6	1.0	12.4	17.9	3.1	50.2
Sub-Saharan Africa	5.8	0.7	7.1	8.0	1.0	14.5
East Asia	13.3	2.6	54.5	41.8	12.4	174.0
Europe	23.9	6.2	106.1	46.6	16.4	174.9
Latin America and the Caribbean	10.4	2.2	24.1	30.5	9.0	109.5
North America	19.6	5.4	67.6	36.2	13.4	121.1
World	11.7	2.4	22.6	24.7	6.5	73.2

Source: Calculated from *World Population Prospects 2012*.

In 2010, Algeria, Egypt, Lebanon, Morocco and Tunisia showed the greatest old-age dependency ratio. By 2050, this ratio is expected to increase quickly in some Arab countries, varying between a low of 5.7 for Somalia and a high of 47.5 for Qatar. The list of countries which may have a 65+ dependency burden of more than 25 older persons per 100 persons in the ages 15-64 includes, in order of magnitude, Qatar (47.5), Lebanon (42.2), the United Arab Emirates (38.3), Tunisia (37.7), Oman (32.4), Libya (28.9), Saudi Arabia (28.0) and Bahrain (26.7).

In 2010, Arab countries showed similar oldest old-age dependency ratios; by 2050, however, this ratio is expected to increase to reach 13.3 in Lebanon and 10.0 in Tunisia. Qatar (6.2), Libya (6.0), and Saudi Arabia (5.5) will also have relatively high oldest old-age dependency ratios.

The values of the ageing index in 2010 range between 35.6 in Lebanon and only 2.5 in the United Arab Emirates. This index is expected to increase in all Arab countries by 2050, but while the increase will be moderate in some countries, it will be extraordinary in others. The number of older persons for every 100

children (age 0-14) is expected to reach 304.9 in Qatar, 219.3 in the United Arab Emirates, 192 in Lebanon, 141.7 in Oman, and 141.3 in Tunisia.

In the majority of Arab countries, women are expected to outnumber men in both the old and oldest ages by 2050. However, the imbalance in sex ratios at age 80+ is likely to be particularly striking. For example, Morocco is expected to have nearly 62 males per 100 females age 80+ in 2050. Many of the women in this age group are likely to be widows.

Social protection systems in Arab countries therefore face the challenge of not only expanding the extent and quality of their services to children, youth and the working-age population, but also adapting the services to meet the growing share of older persons in the population. The ideal package of services to be provided to each age group should be identified according to their social needs, and the system should be flexible enough to respond to the age-structural transitions. Social protection systems should be monitored and evaluated regularly to determine their degree of success or failure in meeting the needs of each age group, and should be adjusted accordingly as needed.

These services should pay particular attention to the needs of women, especially in the light of their increasing share of the population. Policies, plans, and programmes encouraging female employment in the formal sector of the economy with incentive schemes such as tax breaks to employers of women should thus be emphasized. Cash transfer programmes need to be extended to women in rural areas, health insurance should be extended to cover women, and systems of health care and economic and social security should be developed for women. As family relations are expected to weaken, the Governments of fast- and medium-ageing countries have to plan in advance to establish old-age/nursing homes especially for women.

6. Changes in sources of funding for social protection systems

The changing emphasis of needs caused by age-structural transitions in Arab countries will also have consequences for the levels of priorities of funding for social protection, as discussed in chapter II. Moreover, by changing the balance between producers and consumers of services, the age-structural transition will change the sources of funding for social protection systems. This is particularly important given the central role of domestic resource mobilization as a source of funding for sustainable social protection systems. Domestic sources of funding involve intergenerational transfers of wealth and resources, which are generally from the working-age population to children and older persons. These transfers ensure that members of dependent age groups are able to develop their human capital and be protected from risks associated with external shocks. However, they also vary according to the shifts in size of these groups.

Accordingly, when the working-age population is large and growing, as is the case in most Arab countries now, there should be more producers of wealth and resources than consumers. However, as the working-age population transitions into older age, pension and other contributions to social protection systems will decrease. There is then a need to ensure that contributions and benefits are designed in such a way as to enable resources to build up during the expansion of the working-age population so that the system can continue to pay benefits when the working-age population contracts. The exact balance of the mix of funded and unfunded programmes for older persons will depend on the context.

This model assumes a high level of labour-force participation and employment, but that is not the case in Arab countries. The potential demographic bonus from age-structural transitions in the Arab countries can only be considered as a source to finance future protection systems if labour market policies are adjusted to create productive job opportunities so that new entrants to the labour force will contribute to those systems.

Thus when reforming social protection systems, Arab countries should consider how age-structural transitions will impact their funding sources. If the expanding working-age population can be accommodated in the labour market, it represents an opportunity to expand social protection systems as well. However, the expansion of these systems should be future-proof, meaning Governments should aim to ensure that those who are paying into these systems and those who are receiving benefits from it are sharing the costs.

B. PREPARING SOCIAL PROTECTION SYSTEMS IN THE ARAB REGION FOR AGE-STRUCTURAL CHANGES

It is thus clear that social protection systems in Arab countries are in need of reform. In recent years, some Arab countries have begun to review targeting mechanisms, increase administrative capacities and merge existing schemes into unified social assistance programmes, with a view to enhancing their effectiveness and efficiency. Greater transparency of these social assistance programmes and better administration and coordination can improve the reach or coverage of benefits, prevent the misuse of resources and promote a rights-based approach to social security.

1. *The social protection floor approach*

The social protection floor is a key approach that assists countries in conceptualizing the objectives of social protection systems. This approach to social protection, developed by the ILO, draws on concrete experiences of extending protection, mostly in developing countries. It was endorsed by the United Nations Chief Executives Board and by the Heads of State and Government in the 2010 Millennium Development Summit. The social protection floor is:

“an integrated set of social policies designed to guarantee income security and access to essential social services for all, paying particular attention to vulnerable groups and protecting and empowering people across the life cycle. It includes guarantees of:

- basic income security, in the form of various social transfers (in cash or in kind), such as pensions for the elderly and persons with disabilities, child benefits, income support benefits and/or employment guarantees and services for the unemployed and working poor;
- universal access to essential affordable social services in the areas of health, water and sanitation, education, food security, housing, and others defined according to national priorities.⁶⁵

The social protection floor extends the coverage of social security horizontally by providing a basic set of social guarantees for all and vertically by gradually implementing higher standards. Extending coverage horizontally and vertically should be pursued simultaneously and progressively in compliance with the requirements of the Social Security (Minimum Standards) Convention (No. 102). The approach takes into consideration the life course approach, noting that a social protection floor should contain “basic social security guarantees that ensure that over the life cycle all in need can afford and have access to essential health care and have income security at least at a nationally defined minimum level. Social Protection Floor policies should be aimed at facilitating effective access to essential goods and services, promote productive economic activity and be implemented in close coordination with other policies enhancing employability, reducing informality and precariousness, creating decent jobs and promoting entrepreneurship”.⁶⁶

Moreover, the social protection floor responds to the age-structural transition by channelling resources to beneficiaries with the greatest needs, particularly to older persons (to fight old-age poverty) and to children (to invest in their human capital formation). Finally, it proposes a context-specific and progressive approach that focuses first on priority groups which could be defined by age or other factors.

Box 3.3 describes some basic principles for creating an effective social protection system. Countries in the Arab region can learn from international experience with social protection reforms.

⁶⁵ ILO, 2011, p. 9.

⁶⁶ ILO, 2011, p. 9.

Applying these principles in the light of the age-structural transitions and the life course approach will help Arab countries develop strategies and policies that ensure the sustainability and adaptability of coverage as the population undergoes a transition from a young to an older age structure. Indeed, applying the social protection floor costing tool developed by the United Nations Children's Fund and ILO, ESCWA found that the cost of implementing a set of demographically-appropriate social protection benefits (child benefits, and unemployment programme and pension and disability benefits) was relatively low, based on 2011 fiscal data.⁶⁷ Arab social protection systems should therefore be reformed in line with the social protection floor approach in order to allow for the extension of appropriate services to more people and assure the sustainability of these systems in a context of age-structural transition.

Box 3.3. Principles underlying the social protection floor

Reforming and building effective, equitable and sustainable social protection systems should be based on a comprehensive review of the existing social security system, taking into account administrative and institutional capacities. It should follow a universal but progressive approach and must have social acceptability – an outcome best achieved through social dialogue. Some key principles on which social security extension policies should be based include the following:

Universal coverage: Universal coverage for all residents, through gradual implementation if necessary, based on rational priority-setting in a social dialogue process.

Sustainability: The fiscal, financial and economic sustainability and viability of any social protection scheme must be ensured in the long-term, the scope of basic guarantees being commensurate with available fiscal space.

Adequacy of benefits: Adequacy of guaranteed benefit levels with clear focus on outcomes, including flexibility as to institutional arrangements (pluralism) and coherence and efficiency of the overall social security system.

Progressiveness: Commitment to achieving higher levels of protection in line with economic and social development.

Transparent and responsible governance: The State should remain the ultimate guarantor of social security rights, with the participation of contributors or financers in the governance of the scheme.

Rights-based approach: The provision of benefits should be based on legal entitlements.

Focus on outcomes: Progress should be assessed based on outcomes that should be subject to monitoring and evaluation in order to improve coordination between different programmes and ensure that resources are allocated effectively and fairly.

With these principles in mind, an effective social protection floor consists of a minimum set of social guarantees, as follows:

- Provide all residents with the necessary financial protection to afford and have access to a nationally defined set of essential health care services, in relation to which the State accepts general responsibility for ensuring the adequacy of the financing and delivery systems;
- Provide all children with income security, at least at the level of the nationally defined poverty line level, through family/child benefits aimed at facilitating access to nutrition, education and care;
- Provide all people of working-age who are unable to earn sufficient income through employment with minimum income security through social assistance transfers aiming to achieve access to essential goods and services (e.g. through employment guarantee schemes);
- Provide all older persons and persons with disabilities with income security at least at the level of the nationally defined poverty line through old-age and disability pensions that guarantee access to essential goods and services.

Source: Based on ILO Recommendation (No. 202) 2012.

⁶⁷ ESCWA, 2012c, pp. 26-28.

2. *Creating fiscal space for social protection in Arab countries*

Fiscal space is defined as “the financing that is available to government as a result of concrete policy actions for enhancing resource mobilization, and the reforms necessary to secure the enabling governance, institutional and economic environment for these policy actions to be effective, for a specified set of development objectives”.⁶⁸ The increase in costs caused by age-structural transitions in Arab countries and the shifts in terms of the funding sources as a result of this phenomenon, will impact the fiscal space of Arab countries.

Fiscal space in the Arab region reflects severe vulnerability to external shocks such as oil prices and the impact of the political situation on tourism and migrant remittances. It has been particularly affected by the aftermath of the Arab uprisings, especially in resource-poor Arab countries. Governments can expand current revenues in a more sustainable manner primarily through domestic resource mobilization by raising taxes (imposing new taxes, increasing tax rates, broadening the tax base or improving enforcement to reduce tax evasion). However, tax effort, calculated by dividing a country’s actual tax share by an estimate of how much tax the country should be able to collect given the structural characteristics of its economy is relatively low in many Arab countries, ranging from 5 per cent in Libya to 26.1 per cent in Morocco in 2010.⁶⁹ Moreover, tax effort in these countries does not increase with GDP growth as would be expected.⁷⁰ Therefore, Arab countries may have the potential to create fiscal space through further fiscal or tax reform.

However, in addition to tax effort, the distributional impact of the tax structure must be investigated in the light of ongoing age-structural transitions and the fact that different age groups have different resources. Different tax revenue sources have different distributional impact and certain taxes are more pro-poor than others. Furthermore, expenditure-switching policies can be another source of fiscal space and require an in-depth investigation of government expenditure to determine if funds could be reprioritized to create fiscal space for national objectives. For example, to reduce inequality and vulnerability a Government may consider shifting expenditure from the military to social protection measures.

3. *Planning methodologies*

Certain lessons have been learned from the experiences of other countries in building social protection system. As a general rule, integrated programming is more successful in expanding comprehensive social protection. Specific recommendations to strengthen social protection institutions are given in box 3.4. Setting up social protection strategies and plans in the light of the age-structural transitions and the life course approach will add another layer to ensure the success of these strategies and plans not only through fulfilling the immediate needs of the population, but also ensuring a smooth implementation over the course of demographic transition to an older society.

In addition, the following points should be taken in consideration in order to reform social protection systems in the region to capture the benefits of age-structural transitions and the life course approach:

- Mapping the medium- and the long-term demographic trajectories of the age-structural transition;
- Linking demographic transitions to the life course approach and transition into every phase such as the transition from childhood to adolescence, from adolescence to youth, from youth to the working-age group, and so on;
- Defining the current and future needs of each age group with respect to social protection, predicting the costs and the sources of funds and reallocating resources accordingly.

⁶⁸ Roy and others, 2007, p. 2.

⁶⁹ A tax effort of 15 per cent is considered as low. ESCWA, 2012c, p. 18.

⁷⁰ Ibid.

Box 3.4. Institutional recommendations for the structure of a successful social protection system

1. Addressing institutional roles and relationships is a critical strategy for expanding social protection that is frequently overlooked. Planners need to assess existing capacity, mandate and relationships in order to map institutions with responsibilities.
2. Addressing institutional challenges can stimulate tensions between focusing on operations and dedicating capacity to fundamental, but slow, institutional reforms.
3. Defining the ideal roles and responsibilities of the ministries overseeing social protection would be a major contribution to building social protection systems.
4. For social protection systems to be truly successful, some believe that a lean body with national standing is required for policy oversight and promoting accountability, but not implementation; this can be done by line ministries, local authorities, and civil society organizations.
5. Establishing a separate unit to administer cash transfers within a broader social protection framework may make the most sense – it is a discrete component of social protection that is highly technical in nature. This unit would require oversight by a policymaking body with senior leadership.
6. Other social protection-related ministries have a key role to play. It is important to identify examples of social protection interventions underway in more “favoured” sectors, such as health or education, which are doing well and need to be integrated or coordinated within a national system.
7. Experience suggests that most countries are not promoting a comprehensive social protection approach. Dialogue usually focuses on a single intervention. To maximise the benefits of social protection, programming cannot rely upon a single instrument: it must include a combination of transfers and services.
8. There is an urgent need to strengthen the evidence base on social protection in order to support advocacy and inform planning.

Source: Adapted from Inter-Agency Task Team on Children and HIV and AIDS 2008.

C. MAINTAINING SOCIAL SOLIDARITY THROUGH THE AGE-STRUCTURAL TRANSITION

Beyond the economic considerations of how social protection systems should change to respond to age-structural transitions, there are also a range of formal and informal social institutions at the micro and macro level whose roles will need to change to reflect the new age structure. These institutions range from formal governmental social protection institutions (macro-level, formal) to individual family arrangements (micro-level, informal). The distribution of roles, power and resources in these institutions reflects the age structure of the population at large, among other factors, which tended to feature a relatively small number of adults compared to a relatively large number of children. That age structure allowed for a neat division between adults and children, and vested adults, especially older men with decision-making power, while all others had a subordinate role. This was the case both in society at large, and within families. However, with the growth of the youth population and trends such as increased female education and employment, although they may be limited in practice, these divisions have been increasingly blurred. With the changing age structure, the distribution of roles, power and resources will be renegotiated.

At the macro level, the age-structural transition, increases the number of adults who “are more likely to want a voice in political affairs, and, with greater proportional numbers, ... have greater capacity to achieve this goal”.⁷¹ Although accounting for democracy is difficult, and these demographic factors interact with other ongoing social and economic trends, it nevertheless appears that older societies have greater

⁷¹ Dyson, 2012, p. 86.

chances of becoming stable democracies, with transitions to more democratic forms of governance occurring around the same time as the declines of mortality and fertility which lead to age-structural transitions.⁷² Meanwhile, at the level of the family, young men and women who provide financial support to their households are likely to demand more say in decision-making processes.

However, different age groups may have conflicting interests, making the renegotiation difficult. For example, young people in search of employment may resent the perceived job security of older workers, considering them to be blocking their access to jobs, which may lead to frustration and conflict. Indeed, young age structures (defined as a large proportion of the population under the age of 30) have been linked with the potential for civil conflict.⁷³ When the Arab uprisings began in late 2010, some commentators came back to that theory, noting the relative youthfulness of Arab populations. They characterized the uprisings in generational terms as a young generation demanding rights from an ossified order of men aged 70-80+.⁷⁴ While that may be something of a caricature, it nonetheless illustrates the role of demographic dynamics in creating the potential for conflict. Thus it is important for social institutions to develop mechanisms to manage conflict, particularly through the participation of older and younger people. Participation is key to ensuring that individuals feel valued and respected, and that social institutions are able to identify challenges and solutions.

The age-structural transition is not independent of other trends in structuring these renegotiations: increasing urbanization and urban lifestyle, inflation and rising costs of living and health care, and may have implications for traditional social institutions. Areas in which changes may be expected, and the trends underlying them, are outlined below.

1. *Education and technology*

This trend towards greater demands for participation in decision-making reflects the fact that the current generations of young people in the Arab region are more highly-educated than their elders. It is likely that young people will attempt to renegotiate their share of power and responsibilities to reflect the status they believe is due to them.

Moreover, technological innovation, especially the growth in the use and importance of computers and the Internet and social networking has led to a redistribution of power between generations. Younger generations have more technical know-how than their parents, and they use technology to enhance friendships and to support collective association. The role it played in the Arab uprisings is a testimony to this fact. As innovation continues, current technologies will be outdated by the time the youth of today reach old age. New redistributions of power will occur as technology evolves.

2. *Gender Relations*

Demographic factors have contributed to changing gender relations and social and individual views on issues such as female participation in the labour market, and care responsibilities and living arrangements of older persons.⁷⁵ As women are further integrated into the labour market, the approach to the care of older persons will change. Fast-ageing countries in the Arab region must prepare to provide care for older persons that does not rely on a robust supply of unpaid care-giving labour that had traditionally been provided by women who did not participate in the formal labour market. The benefits of female employment outweigh any potential negative effects; however, this trend, combined with the changing family relations outlined below will require the development of new mechanisms to ensure that care roles (including State provision of services) can be redistributed fairly.

⁷² Dyson, 2012.

⁷³ See, for example, Cincotta and Leahy, (2007), which puts many Arab countries in this category.

⁷⁴ See for example LaGraffe, 2012.

⁷⁵ Makita, 2010.

3. *Changing family relations*

Changing care responsibilities and gender relations have impacts on family structures. The trend in the Arab region is towards nuclear families rather than extended intergenerational families, driven by changing norms such as higher levels of individual partner choice, lower fertility, greater opportunities for women and more divorces.⁷⁶ These trends are likely to disrupt the traditional means of providing family care and support to older family members in the same household. With the potential decrease in family care for older persons generally provided by women, new means of ensuring care are required. This could include a shift to nursing/old-age homes, and a renegotiation of care roles within families, resulting in sharing burdens between different members of the family, both male and female.

Consequently, in addition to adopting new policies to manage the practical aspects of the age-structural transitions, demographic change also gives new impetus to the need for Arab countries to adopt new approaches which aim to engage all segments of society in decision-making, in order to ensure that the social changes accompanying the demographic trends do not threaten social cohesion. Unfortunately, it is not clear that Arab countries, despite the messages sent by the broad-based uprisings of the past few years, have taken this approach.

D. CONCLUSION

In conclusion, there is a need to design or improve comprehensive and age-sensitive, coordinated and administered social protection schemes to respond to age-structural changes in the Arab region. This chapter has shown the main features of a social protection system which is sensitive to the needs of different age groups, enables them to contribute to maximizing the development benefits of the age-structural transition and takes into account their potential to contribute to these systems. It has also shown how Arab countries fall short of unlocking the potentials and meeting the changing needs of each age group, particularly with regard to the access of women to services to meet their needs and overcome structural disadvantages in the labour market and receive social benefits. This is relevant both now and for the future, where women will outnumber men among the old-age population. The chapter also outlined how age-structural transition will change funding sources.

The chapter has also discussed approaches to reform these systems noting that, while Arab countries are facing challenges in putting in place these reforms that may seem daunting, most countries are in fact at an ideal period, demographically-speaking, to build up systems using approaches such as the social protection floor which have proven their worth in practice.

Finally, the chapter has also highlighted the importance of increasing the participation of all members of society in decision-making in Arab countries at all levels as the age-structure transitions towards populations made up of a larger share of adults. Age-structural transitions alone do not determine the success or failure of social and economic development; nevertheless, they put a particular emphasis on the immediate need for social and economic reforms across Arab countries.

⁷⁶ ESCWA, 2013, p. 17.

IV. AGE-STRUCTURAL TRANSITIONS AND PRESENT AND FUTURE DEVELOPMENT GOALS

A. ARAB COUNTRIES AND INTERNATIONALLY AGREED DEVELOPMENT GOALS

The Internationally Agreed Development Goals (IADGs) are a set of specific, time-bound goals agreed on by the Member States of the United Nations during the global summits and conferences held since 1990. The development agenda of the United Nations addresses the challenges of economic growth, social progress and sustainable development, and IADGs are often translated into national development agendas. As such, it is important to consider to what extent IADGs consider demographic aspects, and the relationship they have with the age-structural transitions underway in most Arab countries. For example, it should be considered whether they focus any attention on key population groups in the age-structural transition, such as youth or older persons, and address their needs and potentials. Equally, it is important to see how age-structural transitions in Arab countries can assist in meeting development goals. Finally, in the context of ongoing discussions on the future of the United Nations development agenda beyond 2015, the MDG end date, there is a need to consider how these new goals can take age-structural transitions into account.

This chapter provides a brief description of the major commitments delivered from the global summits and conferences which are most relevant for population and development, and the current status of the Arab countries in achieving them. The chapter will then discuss how integrating the age-structure transition into development planning can assist in achieving these goals, provide an overview of the steps taken towards the post-2015 development agenda and analyse how age-structural transitions are being considered in this process.

1. Overview of the Millennium Development Goals

The international community adopted eight Millennium Development Goals (MDGs), which are the most influential IADGs, following the United Nations Millennium Declaration in September 2000. The goals were associated with measurable targets, and world leaders committed to work toward achieving them by 2015.

Twenty-one targets were associated with the goals (table 4.1) and some 60 indicators were adopted to track progress. During the 2005 World Summit, the goals were revised to include four new targets. Despite the impact of the global economic and financial crisis, progress has been made in most areas and many important targets have or will be met by the set deadline. For example, the world reached the poverty reduction target of halving the population living under US\$1.25 per day from 47 per cent in 1990 to 22 per cent in 2010, five years ahead of schedule. The target of halving the percentage of people suffering from hunger by 2015 appears to be within reach given that the proportion of undernourished people in developing regions decreased from 23.2 per cent (1990-1992) to 14.9 per cent (2010-2012). However, despite these achievements, more effort will be needed to overcome regional disparities and reach as many goals as possible by 2015, especially in the fields of environmental sustainability, reducing child mortality, achieving universal primary education, and promoting international cooperation.

TABLE 4.1. MILLENNIUM DEVELOPMENT GOALS AND TARGETS

Goal		Target	
Goal 1	Eradicate extreme poverty and hunger	Target 1.A	Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1.25 a day
		Target 1.B	Achieve full and productive employment and decent work for all, including women and young people
		Target 1.C	Halve, between 1990 and 2015, the proportion of people who suffer from hunger
Goal 2	Achieve universal primary education	Target 2.A	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

TABLE 4.1 (continued)

Goal		Target	
Goal 3	Promote gender equality and empower women	Target 3.A	Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015
Goal 4	Reduce child mortality	Target 4.A	Reduce by two thirds, between 1990 and 2015, the under-five mortality rate
Goal 5	Improve maternal health	Target 5.A	Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio
Goal 6	Combat HIV/AIDS, malaria and other diseases	Target 5.B	Achieve, by 2015, universal access to reproductive health
		Target 6.A	Have halted by 2015 and begun to reverse the spread of HIV/AIDS
		Target 6.B	Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it
Goal 7	Ensure environmental sustainability	Target 6.C	Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases
		Target 7.A	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
		Target 7.B	Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss
Goal 8	Develop a global partnership for development	Target 7.C	Halve by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation
		Target 7.D	By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers
		Target 8.A	Develop further an open, rule-based, predictable, non-discriminatory trading and financial system
		Target 8.B	Address the special needs of least developed countries
		Target 8.C	Address the special needs of landlocked developing countries and small island developing States
		Target 8.D	Deal comprehensively with developing countries' debt
		Target 8.E	In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
		Target 8.F	In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

Source: <http://www.un.org/millenniumgoals/>.

Despite their importance, the MDGs do not focus on the implications of age-structural transition in Arab countries. Most of the goals are undifferentiated in terms of the age groups they target, and where targets do aim at specific age groups, they tend to be children from ages 0-15; youth are only mentioned once in terms of their ability to access employment, (Target 1.B). This is certainly appropriate in relation to the Least Developed Countries (LDCs), including Yemen and the Sudan, where a focus on these issues is critical given that the share of children in the population of these countries remains high. However, the other Arab countries that are facing a youth bulge and decreased proportions of children would gain major development benefits from focusing their efforts on young people and preparing for an older population.

Arab countries have achieved progress towards many MDGs, especially in health and education. However, several factors have constrained their progress, including relatively poor economic performance in the last two decades and increasing political instability and conflicts in the region. Moreover, sharp disparities have been witnessed between the different subregions, particularly between the high-income GCC countries and LDCs. While GCC countries have made a significant progress towards achieving most of the MDG targets, the Arab LDCs lag behind, making it unlikely that they will be able to meet many of the MDG targets by 2015. This has been exacerbated by the current political unrest and its impact on economic

performance across the region. Thus, with less than two years to go to the target date of 2015, and given the current situation in the region, many Arab countries are likely to fall short of achieving the MDG targets.

2. Overview of ICPD Programme of Action

The 1994 International Conference on Population and Development (ICPD) in Cairo was a milestone in the history of population and development, and its agenda stressed that “population is not just about counting people, but about making sure that every person counts”. The Conference shifted the focus of population policies from concerns about population growth and family planning to the lives of the people and their well-being. The conference adopted a 20-year Programme of Action that includes 16 chapters that focus on the following main issues:⁷⁷

- (a) Access to family planning and sexual and reproductive health services and reproductive rights;
- (b) Gender equality, empowerment of women, and equal access to education for girls;
- (c) Socioeconomic impact of urbanization and (internal and international) migration; and
- (d) Sustainable development and environmental issues associated with population changes.

Three ICPD goals were included as MDG targets, namely the reduction of infant, child and maternal mortality; the provision of universal access to education, particularly for girls; and the provision of universal access to a full range of reproductive health services. Despite the fact that the Programme of Action targets specific age groups such as infants and children, youth, older persons and women of reproductive age, they do not relate directly to age-structural transition. However, individual ICPD actions call for Governments to “develop social security systems that ensure greater intergenerational and intragenerational equity and solidarity” and to “enable elderly people to lead self-determined, healthy and productive lives and to make full use of the skills and abilities they have acquired in their lives for the benefit of society”. Those actions include guidance useful to enable Governments to reap the benefits from age-structural transitions.⁷⁸

Arab countries have implemented a number of programmes since 1994 in the fields of population dynamics, sexual and reproductive health, gender equity, the prevention of sexually-transmitted diseases, and population information and data. However, despite the progress that has been made towards the implementation of the ICPD Programme of Action in the fields of health and education, especially in high-income countries, most issues, ranging from wealth disparities to environment and climate change, remain unaddressed.

3. Overview of the World Programme of Action for Youth

In addition to these general development frameworks, the United Nations has adopted development goals targeting specific age groups. The World Programme of Action for Youth (WPAY) was adopted by the United Nations in 1995 in order to provide a framework to guide international and national action on youth development and to reflect the commitment of the international community to address the development challenges faced by young people. WPAY identified 15 priority areas within three thematic categories:

- Youth and the Global Economy:
 1. Globalization.
 2. Hunger and Poverty.
 3. Education.
 4. Employment.
- Youth and their well-being:
 5. Health.

⁷⁷ More details on the ICPD Programme of Action are available from http://www.unfpa.org/webdav/site/global/shared/documents/publications/2004/icpd_eng.pdf.

⁷⁸ ICPD actions 6.18 and 6.19.

6. Drug Abuse.
 7. Girls and Young Women.
 8. Juvenile Delinquency.
 9. Armed Conflict.
 10. HIV/AIDS.
- Youth in Civil Society:
 11. Information and Communication Technology.
 12. The Environment.
 13. Leisure-time Activities.
 14. Participation in Decision-Making.
 15. Intergenerational Issues.

For each priority area, WPAY outlines the challenges and provides action-oriented proposals and the means required to implement the Programme of Action at the national level as well as areas of regional and international cooperation.⁷⁹ Hence, it provides an integrated action plan to guide States in their efforts to formulate a national agenda to respond to the needs of youth. It is extremely relevant for the Arab region, as it provides a comprehensive framework for support to the age group whose successful social and economic integration is crucial in ensuring the development benefits of the age-structural transition.

Despite the importance of youth to the development of the Arab region, it was not until recent years that Arab countries began to show a political commitment to develop youth policies to address their specific needs. Youth development in the Arab region continues to lag behind other parts of the world, and the implementation of WPAY in the region is hindered by the lack of regional or national agendas focused on youth development, with most countries addressing youth issues only in national development plans. Furthermore, those Arab countries which have adopted youth policies and strategies have taken a fragmented approach, focusing on specific sectoral issues such as employment, education, political participation and health.

4. *Overview of the Madrid International Plan of Action on Ageing*

The Madrid International Plan of Action on Ageing (MIPAA) was adopted at the United Nations Second World Assembly on Ageing held in Madrid in 2002, and aims to develop a society for all ages in order to respond to the opportunities and challenges of the ageing population of the twenty-first century. MIPAA provides policymakers with a tool to enable them to focus on issues and priorities pertaining to older persons. It identified three priority policy directions, or pillars, regarding older persons:

- Policy Direction 1: Older persons and development;
- Policy Direction 2: Advancing health and well-being into old age;
- Policy Direction 3: Ensuring enabling and supportive environments.

In addition, it identified 18 issues under the three pillars, along with associated objectives and actions.⁸⁰ MIPAA takes a life course perspective, recognizing that many aspects such as health in old age rely on a person's experiences early in life. As such, it can be regarded as a useful tool for planning for the future that the Arab region will face.

In the Arab region, limited progress has been achieved concerning the implementation of MIPAA. For example, as discussed in chapters II and III, pension systems are mainly restricted to the formal sector, leaving informal sector employees out of coverage. As for advancing health and well-being into old age, Governments in the Arab region are expanding their health services to cover a wider segment of the

⁷⁹ More information is available from <http://www.un.org/esa/socdev/unyin/documents/wpay2010.pdf>.

⁸⁰ More details on the issues, objectives, and actions of each pillar are available from <http://social.un.org/index/Portals/0/ageing/documents/Fulltext-E.pdf>.

population, including older persons. However, the coverage and the quality of these services vary across countries, with low coverage rates and low quality found in LDCs. As for ensuring enabling and supportive environments, specialized facilities for older persons are not available in most Arab countries. In addition, in most countries, no special provisions or arrangements have been made for older persons in transportation or road infrastructure. Hence, Arab countries must exert greater effort to promote the quality of life of older persons by providing adequate health services, social protection, social support systems, and most importantly, mainstreaming ageing issues into the process of development planning.

Taken together, the above-mentioned IADGs take demographic factors and the life course approach into consideration to some extent, but not in a comprehensive or a systematic way. While MDGs focus on few age-related issues, mostly related to children, WPAY and MIPAA only focus on youth and older persons. Yet, a more comprehensive approach that incorporates the age-structural transition as a whole process is still missing. Hence, age-structural transitions should be taken into account as a key factor in programming for development and should be highlighted in the future global development agenda.

B. INTEGRATION OF AGE-STRUCTURAL TRANSITIONS INTO NATIONAL DEVELOPMENT PLANS

The future global development agenda should take into account population needs at various stages of the life course. At the same time, it should also take into account the advantages provided by age-structural transitions and the challenges they pose for development. These challenges and opportunities and their correlations with IADGs in light of the life course approach indicates that Arab countries should focus on specific interventions for different age groups and integrate age-structural transitions into their development plans. Despite the progress that has been made towards the achievement of IADGs to varying degrees in different countries, “business as usual” is not an appropriate option and transformative changes are needed to meet the goals of national development agendas. The following section shows how age-structural transitions and the challenges and opportunities can be integrated into those efforts.

1. *Children (below age 15)*

Averaging around 30 per cent of the Arab population, children take the lion’s share of social development investments in Arab countries, resulting in significant progress in health and Education (Goals 2 and 4 of the MDGs). Primary school enrolment rates have increased and basic health coverage for infants and children has expanded, contributing to a decreasing trend of infant and child mortality. These achievements also feed into achieving the related targets of the ICPD Programme of Action.

The expected age-structural transition will lead to the decline of the population age 5-14, which represents the bulk of the school age population. In Tunisia, it is estimated to decrease from 1.6 million in 2010 (15.2 per cent of the total population) to 1.4 million (10.7 per cent of the total population) in 2050.⁸¹ Given that levels of school enrolment are already high, Arab countries can direct resources towards improving the quality of services provided to this age group. Governments may also relocate budgets to other age groups which continue to increase as a share of the national population.

2. *Youth (age 15-24)*

Youth is the critical stage of transition from childhood to adulthood, the impact of this period has important consequences in the present and in the future. Youth therefore need multiple levels of support in order to make a smooth and successful transition into adulthood, which includes transitioning from school to decent work (see chapter II), becoming active participants in civic and political life, and forming families of their own. Therefore, integrating this important age group into the development plans of the Arab countries

⁸¹ Figures extracted from the *World Population Prospects 2012*.

and providing adequate support through dedicated policies, strategies and action plans is of immense importance, while a failure to do so comes with significant repercussions both for Government and society.

Governments must do more to prepare and implement policies and strategies that focus on youth. Development planning must take advantage of the opportunity to improve the quality of education and training, and provide productive job opportunities for youth. Appropriate preparation of this age cohort to join the labour market will have a positive impact as youth reach active working-age and will lead to increased productivity in general.

3. *Working-age population (age 25-64)*

The active working-age population represents the bulk of the population of Arab countries, and has grown steadily from around 34 per cent of the total population in 1990 to 44 per cent in 2010. This age group is supposed to be the breadwinners for themselves and others and take care of younger and older age groups. This age group includes women of the reproductive age. Most of the MDG targets are devoted to the population in general, yet, the burden of meeting many of the targets, including reducing poverty, hunger, and maternal mortality, and of increasing access to decent work, are directed primarily to this age group. The ICPD Programme of Action also includes concrete recommendations regarding sexual and reproductive health that are relevant to this age group.

Creating job opportunities through labour market reform and the formalization of the informal economy will increase family income and decrease poverty, and will enlarge the tax base and increase tax revenues. There should be a particular focus on women in this process, as increasing female participation in the labour force is a form of empowerment. Another priority is to raise their awareness and increase their access to and use of health services including reproductive health (MDG and ICPD Programme of Action). More efforts by women's societies, with a focus on women in the rural areas, are required. Greater female labour-force participation will also, ensure their participation in contributory social insurance and pension schemes, which will help to prevent old-age poverty and strengthen the sustainability of these schemes.

4. *Older persons (age 65+)*

The population of older persons in the Arab region is expected to increase from 4.1 per cent in 2010 to 11.4 per cent in 2050. Although older persons are vulnerable in many ways and deserve attention and support, they can make a valuable contribution to the economy of their country. They can engage in voluntary work and provide free services such as childcare which would enable increased female employment. Alternatively, if the wealth of experience is put to productive use, it may even enable the financial independence of older persons. Integrating older persons into development plans should deal with health services and pension systems, and ensure an enabling and supportive environment for their participation.

With the increasing share of older persons in the society and the decreasing share of the youth and eventually the working-age population, Governments should plan to reallocate budgets from younger to older age groups.

C. OVERVIEW OF POST-2015 DEVELOPMENT AGENDA

There is no doubt that the world has made major progress towards the achievement of IADGs, particularly MDGs. Global poverty continues to decline, more children than ever are attending primary school, child deaths have dropped dramatically, access to safe drinking water has been greatly expanded, and targeted investments in fighting malaria, AIDS and tuberculosis have saved millions. However, the MDGs will come to an end by 2015. Recognizing this, at the 2010 High Level Plenary Meeting of the United Nations General Assembly to review progress towards the MDGs, Governments called for the development agenda to be advanced beyond 2015. The United Nations is leading the process of developing a framework

beyond 2015 when the MDGs come to an end. It aims to build on the momentum of the Goals and respond to new understandings, opportunities and challenges, to formulate a new development framework appropriate to the post-2015 world.

A number of processes are underway in this regard. These include:

- The process to develop Sustainable Development Goals as an outcome of the United Nations Conference on Sustainable Development (Rio+20);
- The United Nations System Task Team on the Post-2015 United Nations Development Agenda;
- The High-Level Panel on the Post-2015 Development Agenda;
- Intergovernmental processes such as the Global Thematic Consultation on Population Dynamics in the Post-2015 United Nations Development Agenda.

This section will provide a brief overview of how these processes consider the age-structural transition.

1. *Rio+20*

At the Rio+20 Conference, member countries agreed “to launch a process to develop a set of sustainable development goals (SDGs) which will build upon MDGs and converge with the post-2015 development agenda”.⁸² The vision of sustainable development covers three dimensions - economic, social and environmental - with a particular focus on poverty eradication.

The outcome document considered both the social and economic aspects of the impact of age-structural transition and the needs and potential of different age groups. Governments expressed their commitment to “systematically consider population trends and projections in ... development strategies and policies”, as this will enable “forward-looking planning” to “seize the opportunities and address the challenges associated with demographic change”.⁸³ Youth employment and welfare were recognized as priorities to achieve full and productive employment and to transition to a green economy. Meanwhile, given that issues associated with the environment are long term, it stressed the importance of intergenerational solidarity and the participation of young people in decision-making on sustainable development. Youth are also mentioned in the context of sustainable urban environments, health, education and as a target for awareness-raising activities on sustainable development. Older persons, by contrast, are considered as a group whose needs should be considered as part of creating safe and healthy living environments, as well as a group whose “meaningful involvement and active participation” in sustainable development should be facilitated.⁸⁴

The process of developing SDGs goes some way towards recognizing the importance of age-structural transitions and the needs and priorities of specific age groups in development processes. Indeed, the state led open working group on SDGs has considered the role of demographic dividends in ensuring sustainable development.

⁸² <http://sustainabledevelopment.un.org/rio20.html>.

⁸³ United Nations 2012, p. 28.

⁸⁴ *Ibid.*, p. 8.

2. *The United Nations System Task Team on the Post-2015 United Nations Development Agenda*

Over 50 United Nations entities and international organizations are providing “system-wide support to the post-2015 consultation process, including analytical input, expertise and outreach”. In its report to the Secretary-General, *Realizing the Future We Want For All*, the Task Team identified the “failure to account for population dynamics” as one weaknesses of MDGs. It then listed shifting demographics among the “global trends, challenges and opportunities to which the post-2015 United Nations development agenda should respond,” in addition to the overall growth in the world population, youth employment, population ageing, migration and urbanization. It recommended that managing demographic dynamics should be considered as an enabler to the achievement of all dimensions of the future development agenda. Finally, its analysis of the core dimensions where progress beyond 2015 must be made included needs all age groups have for social protection and adequate nutrition. It also emphasized the issue of youth employment.⁸⁵ Thus the framework proposed by the Task Team takes into account some age-specific needs and aspects of age-structural transitions.

3. *The High-Level Panel on the Post-2015 Development Agenda*

The High-Level Panel of Eminent Persons on the Post-2015 Development Agenda (HLP) was set up to advise on the global development framework beyond 2015. The report of HLP to the Secretary-General in May 2013 identified a set of challenges and opportunities to which the Post-2015 Development Agenda should respond, as well as a set of illustrative goals which aim to build on and expand the MDG framework. As with the MDGs, many of those goals target broad populations or children specifically, however, the report noted the changing demographics of the world and that the large global youth population represents a “demographic dividend in waiting, if the extra people are given the right opportunities, services and skills,” and that young people should be “subjects, not objects of the post-2015 development agenda”.⁸⁶ It focused two targets and indicators of its proposed goals on youth education and employment, namely targets 3d (“increase the number of young and adult women and men with the skills, including technical and vocational, needed for work by x per cent”) and 8b (“decrease the number of young people not in education, employment or training by x per cent”). While older persons, were recognized as a growing group, only one proposed target pertains to them (4b, “increase by x per cent the proportion of children, adolescents, at-risk adults and older people that are fully vaccinated”).⁸⁷ Thus the framework proposed by HLP includes an understanding of the importance of demographic changes and some focus on at least one core issue of age-structural transitions.

4. *Global Thematic Consultation on Population Dynamics in the Post-2015 Development Agenda*

The Governments of Switzerland and Bangladesh co-organized the Global Leadership Meeting on Population Dynamics in the context of the Post-2015 Development Agenda, which was held in Dhaka in March 2013, under the umbrella of the global thematic consultations which have been held on topics relevant to the post-2015 agenda. The outcome document, known as the Dhaka Declaration, stated the following:

We note that population mega-trends – continued population growth, population ageing, urbanization and migration – constitute important developmental challenges and opportunities in the 21st century. These are also at the forefront of international and national development agendas. Population dynamics affect economic development, employment, income distribution, poverty, social protection and pensions. These also affect the realization of universal access to health, education,

⁸⁵ United Nations System Task Team on the Post-2015 United Nations Development Agenda, 2012.

⁸⁶ High-Level Panel of Eminent Persons on the Post-2015 Development Agenda, 2013, pp. 17-18.

⁸⁷ *Ibid.*, pp.30-31.

housing, sanitation, water, food and energy, and influence the lives and livelihoods of people, the sustainability of urban and rural areas and the environment.⁸⁸

The Dhaka Declaration made a number of overarching recommendations, taking into account concerns related to both the age-structural transition and the life course. In particular, it recommended that the post-2015 development agenda “promote development of human capital, notably health and education, throughout the life cycle” and “take into account the changing needs of people as they age”; that it “empower every citizen to participate actively in the social, economic and political lives within their communities and countries, particularly women and young people”. The Declaration also recommended that the new agenda “develop as well as strengthen existing and innovative national, regional and global collaborative mechanisms and partnerships to help the countries concerned in addressing the challenges and seize the opportunities arising from changes in population size and structure, [and] the demographic dividend”.⁸⁹ It focuses on ageing in particular, stressing the importance of ending age discrimination as a tool to promote employment of older persons, extending social protection systems, and enacting measures to ensure the care of older persons. Thus the proposals coming from this consultation focus on actions relevant to both the earlier and later stages of the age-structural transition.

D. CONCLUSION

Generally speaking, the focus of development has been on MDGs, the preeminent development framework, which do not take the age-structural transition directly into account. Thus, some approaches to development have been broad, without a particular focus on specific age groups, particularly youth, which could boost development. Nevertheless, viewed as a whole, existing IADGs provide guidance on implementing development policies that respond to age-structural transitions. They address issues of relevance to key groups, particularly youth and older persons.

There is an increasing recognition that the United Nations development agenda beyond 2015 should not be age-blind. The consultations on the post-2015 development agenda have highlighted the need to incorporate different priorities for different age groups and the changing share of each age group as the age-structural transition takes place. This chapter reviewed the role of demographic changes, age-structural transitions and life course approaches in the ongoing consultations and debate and showed that the future development framework is likely to have a strong focus on youth employment, the main driver of the potential demographic dividend. Moreover, the Dhaka Declaration focused on the needs of older persons as a specific age group.

The priority when looking beyond 2015 is to ensure that the framework takes advantage of the development benefits of age-structural transitions, and that it builds on the strengths of the previous frameworks by enabling specific age-related issues to be addressed. The emphasis on age-related issues requires that data and indicators for all outcomes of the future development agenda are disaggregated by age.

⁸⁸ Dhaka Declaration, 2013. Para 4

⁸⁹ Dhaka Declaration, 2013. para 8, recommendations IV, V and X.

V. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

This report has shown that if Arab countries are to gain the one-off, time-limited development benefits of the age-structural transitions that are already underway, they must commit to undertaking a number of economic and social reforms. In many cases, the need for these reforms is already well-documented; however, the age-structural transitions give them new urgency, as without these reforms, the challenges of youth unemployment and alienation will worsen in the short term, and new problems including old-age poverty will emerge in the future.

The main findings of this report, particularly the policy implications of age-structural transitions and the need to reflect that transition in the United Nations development agenda beyond 2015, are outlined in the following sections.

1. *Macroeconomic policy implications of age-structural transitions*

Labour markets in Arab countries face a wide array of problems that include high unemployment rates, especially among women and youth, low participation rates especially among women, the youth bulge, low productivity, an inflated and inefficient public sector, and a large informal sector. Thus although a working-age population boom is underway in the Arab region, individuals are not being absorbed into labour markets. Labour market policies have fallen short of overcoming these problems and, in some cases, have contributed to them. Inefficient policies include rigid labour rules and regulations, and weakly enforced policies that have failed to keep up with the changes in the populations and economies of the Arab countries.

The fiscal implications of age-structural transitions cannot be easily determined because several variables can alter the outcomes. However, in general, Arab countries must handle fiscal policy prudently to respond to the interaction of demographic pressures with social trends. Policies are needed to shift the focus of expenditure on social and public services from some sectors to others. Other policy challenges include the changing living patterns of Arab families, and the expected increase in social spending in the light of the Arab uprisings.

The financial implications of changing age structure should potentially be positive, as the increase of the working-age segment of the population may enable more individuals to save and invest. However, there are a number of obstacles in Arab countries to the process of enhancing savings and channelling savings into investments in an efficient manner. The underdevelopment of financial markets in terms of the relative lack of private insurance schemes, lack of secondary markets, weak stock markets and the absence of mortgages, in addition to the relative inefficiency of the banking sector, are all factors in the weak intermediation between savings and investments. Furthermore, individuals may have limited or no access to financial institutions. SMEs often struggle to access financial services in most of Arab countries, and investments tend to remain concentrated in inefficient assets.

Thus, without reform, economic policies are unlikely to enable Arab countries to meet development challenges brought about by age-structural transitions, and it will become all the more likely that Arab countries will miss out on the opportunities it presents.

2. *Social policy implications of age-structural transitions*

Age-structural changes in Arab countries will bring about changes in the services people need social protection systems to provide. The provision of those services can play a major role in maximizing the development benefits of age-structural transitions by providing the inputs required across the life course to enable people to remain healthy, access decent employment and retire with dignity. Moreover,

implementing these systems with a view to future demographic changes can ensure their financial sustainability as the transition progresses.

Currently, however, social protection systems in Arab countries are inadequate to the needs of the different age groups, even though a respectable share of resources is devoted to social protection. The proportion of the population covered by social protection systems is low, and they rarely provide a full range of relevant services or support to different age groups. Social insurance schemes cover workers in the public sector as well as workers in the formal private sector, but do not cover workers in the informal sector or temporary or casual workers. Women in the region have particularly limited access to social security. In addition formal social safety nets tend to be fragmented and weakly coordinated and poorly implemented. Thus major reforms are needed to ensure that social protection can be expanded and meet the needs of all age groups in the Arab countries.

Meanwhile, the age-structural transition is linked with ongoing social changes in the Arab region such as the transition towards nuclear families, increasing urbanization and urban lifestyles and the spread of new technologies. Those trends are likely to have implications for power structures within social institutions from the level of the family to the State, as increasing numbers of younger adults claim the rights to be part of decision-making processes. Roles will need to be renegotiated and processes democratized to ensure that the demands of youth are accommodated without friction. Traditional social support systems will also be affected by long-term changes in traditional living arrangements, demanding the renegotiation of caregiving roles.

3. The relevance of age-structural transitions in Arab countries to present and future development goals

Taken together, IADGs of the United Nations provide guidance on the needs of different age groups, including key population groups such as youth and older persons. Specific interventions focusing on each age group to make the most of its potentials and to ensure its needs are met would help Arab countries to meet the IADGs. Progress towards the achievement of the IADGs in the Arab region varies widely from country to another. While the region has achieved progress in many MDGs, especially in health and education, the relatively poor economic performance of many Arab countries in the last two decades and the increasing political instability and conflicts in the region has led to these countries falling short of targets in other areas. Moreover, there are sharp disparities between the different subregions, particularly between the high-income GCC countries and Arab LDCs.

Stakeholders who are consulting on the future of the United Nations development agenda have recognized the need to take an approach that is differentiated by age. In particular, there seems to be a widespread commitment to youth employment as an enabler of development, as well as some support for role of older persons.

B. RECOMMENDATIONS

Age-structural transitions in Arab countries are expected to intensify many of the development challenges they face; however, the transition will also provide the means to strengthen development efforts in the region. The Governments of Arab countries must address present and future demographic changes by integrating them into their development strategies now. This will require Arab countries to rethink their approach to development to ensure that it serves the needs and develops the potential of each age group, and ensure it is flexible enough to respond to the changing age structure. Transformative changes are needed.

The following recommendations outline the priority reforms required of Arab countries to meet this challenge. Each country must determine when they will integrate new measures and introduce new policies based on the status and speed of the age-structural transition.

1. Macroeconomic policies

Policy reforms should aim to focus on both the supply of labour and demand for it, with the overall aim of increasing the productivity of labour and ensuring that the growing labour force is accommodated in the labour market. Cutting across all of these areas are the themes of gender equality, youth and SMEs, which need special attention as they are the key variables that can significantly affect the outcomes of age-structural transitions.

On the supply side, educational policies must focus on enhancing productivity, active labour market policies should be used to enhance female participation, and laws and regulations causing rigidity in labour markets (such as restrictions on hiring and firing and burdensome social contributions) should be adjusted to reduce the burdens and costs on employers while establishing effective social policies to improve the functioning of labour markets. Meanwhile, Arab countries should consider regional dialogue and cooperation on migration with an explicit development focus to maximize the mutual benefits of this phenomenon. Demand side policies must also be adjusted to redirect investment and industrial policies towards sectors that can enhance productive employment. Both supply and demand policies should be geared to enhance the role of SMEs.

Arab countries need to revise their tax policies to widen the tax base in the future, as it is currently unsustainable and highly vulnerable to shocks. Pension systems must be reformed to widen their scope and provide fully-funded benefits, which is essential to ensure that funds will be available to finance pensions in the future. Furthermore, there is an urgent need to enhance the efficiency of public spending on public and social services, particularly education and health. Portability of social benefits should be considered as a means to ensure that migrants are not excluded from social protection.

Arab countries should adopt legal reforms to encourage the development of financial markets in areas such as insurance and private pensions to enhance savings and create opportunities for domestic resource mobilization. Meanwhile, Arab countries should also take steps to channel these funds for development activities, particularly by promoting lending to SMEs and encouraging the creation of microcredit institutions which provide vulnerable groups with the means to engage in productive activities

2. Social policies

Arab countries should review their social protection policies to ensure that they are appropriate to the needs and relative sizes of the different age groups.

- *Children:* This stage of life is particularly important for determining a person's future. Children have particular vulnerabilities and are highly dependent on their caregivers. They need health care services, particularly vaccinations against common diseases and high-quality education. Moreover, their caregivers should also receive support through measures such as cash and in-kind transfers.
- *Youth:* Social protection should focus on assisting young people in this transitional stage of their lives. Arab countries should help youth, particularly young women, to make informed choices, and should provide services to help them overcome disadvantages they may have had earlier in their lives. This should include high-quality tertiary education and technical and vocational training and education; appropriate health services, including sexual and reproductive health services; and support for first-time job seekers in the form of active labour market policies.
- *Working-age:* Employment-related support and services are essential to this group to help them maintain their standard of living in case of unemployment and to access training, skills upgrading and other support to remain in or enter work. Arab countries should widen the scope of unemployment and training schemes to include this group, especially women. Pension schemes should also be extended to provide the maximum possible coverage and to help make these

schemes as sustainable as possible. Health insurance coverage should also be extended to reduce the burden of out-of-pocket health expenditures.

- *Older Persons*: Older persons in Arab countries should be supported through pensions, including social pensions especially for women who have not contributed to pension systems throughout their lives. Moreover, health care systems need to be adapted to provide affordable specialized care for the conditions of older persons.

Although this list of needs may appear daunting, Arab countries have the opportunity to implement those reforms now, given that, if the working-age population is able to find employment, then they will be able to contribute to those schemes. While planning the expansion, mechanisms should be built in to ensure that the services and benefits provided by those schemes are sustainable. One means of approaching this process is to adopt the social protection floor approach. Institutions dealing with social protection should ensure that their institutional relationships and planning mechanisms have the capacity to deliver the benefits and services expected of them.

Finally, formal and informal, micro and macro social institutions should also consider democratizing their decision-making structures to ensure that all can participate, and that the renegotiation of roles brought about by the age-structural transition does not lead to conflict. In particular, Governments of Arab countries should encourage families to share domestic care burdens and should provide quality care facilities for older persons in the light of the expected changes in living patterns of families.

3. IADGs and the post-2015 development agenda

In order to meet the IADGs, Arab countries should make use of the range of development frameworks which provide advice on the inputs each age group requires in order to be able to participate in and benefit from the development process. Thus they should consider the ICPD Programme of Action, WPAY, and MIPAA as tools to help them take a more age-appropriate approach to development. In particular, given the current demographic situation in the Arab region, countries should focus on the youth development goals of WPAY. Meanwhile, in the debates over the post-2015 United Nations development agenda, Arab countries should support the momentum for specific targets related to youth, especially youth employment, given that they represent a large share of the population with the potential to drive development. Arab countries should call for greater consideration of the needs and potentials of older persons. They should lobby for the age-disaggregation of all data produced as part of the new development agenda to track the progress of different groups. Exchange of information and expertise between Arab countries will be required to extract the lessons learned from past experiences, and build on them for the implementation of the post-2015 development agenda.

4. Monitoring and evaluation mechanisms

In implementing the recommendations of this report, monitoring and evaluation mechanisms should be developed to assess the effects of policies that aim to take advantage of the age-structural transition. The targets of the integration plans should be measurable, preferably with time-bound quantitative indicators. Targets and indicators should also take into account the overall demographic situation and should respond to the different stages of the age-structural transition. Moreover, they should be sensitive to the different needs and potentials of the different age groups by focusing targets and indicators on specific age groups.

Box 5.1. The demographic opportunity in Jordan

In 2010, the Higher Population Council of Jordan published a document entitled *The Demographic Opportunity in Jordan: A Policy Document*, which indicated that Jordan is on the verge of a demographic transition that will reach its peak in less than two decades. It is expected that the percentage of the population in the working age will reach 69 per cent by the end of 2030, while the proportion of children would decrease from 36 per cent to 25.5 per cent. As a result, the age dependency ratio will fall from 66 persons for every 100 individuals currently in the working-age group, to 45 persons in 2030.

In early 2007, the Higher Population Council alerted the Office of the Prime Minister about the importance of the demographic transformation and the importance of developing policies to take advantage of this opportunity. The Government entrusted the preparation of the document to a steering committee headed by the Ministry of Planning and International Cooperation that included representatives of the Government, non-governmental organizations, academic institutions, media and the private sector. The Higher Population Council was appointed as a coordinator and secretariat for this committee. The preparation of the document took almost two years; it was endorsed as a national document by the Cabinet in October 2009 and was circulated to all institutions.

The document outlined the benefits that Jordan will gain from the anticipated demographic opportunity. Accordingly, the document adopted three policy areas at the national level that are directly related to benefiting from the demographic opportunity. They include the following:

- Policies that aim to prepare for the transformation in the age structure through investment in health to increase the effectiveness and efficiency of reproductive health and family planning programmes;
- Policies that aim to expand the labour market and increase its flexibility,
- Policies that reinforce social protection and preparation for the "post-opportunity" phase.

Monitoring mechanism

Achieving development gains from the demographic opportunity requires monitoring and following it up on the national level. The Government of Jordan plans to pursue the policies for the demographic opportunity that had not been previously addressed in the strategies, development plans and programmes of its various institutions. The Higher Population Council is working to raise awareness and advocate for the inclusion of related performance indicators, projects and programmes of action within the plans of various governmental operational programmes.

The Higher Population Council developed the National Plan to Monitor and Follow Up the Achievement of and Investment in Demographic Opportunity Policies with the support of the United Nations Population Fund. Some 100 indicators were identified to measure the impact and outcomes of the policy. The Higher Population Council prepared the first national monitoring and evaluation report (2007-2011) which shows national progress towards achieving development gains from and investing in the demographic opportunity, which was submitted to the cabinet. This report found that, despite a positive performance on some of the indicators, investment in the demographic opportunity had not achieved the desired results during the specified time period for reasons that include the following:

- Regional and political developments including forced migration to Jordan and additional pressures on resources that are already limited (especially water and energy), infrastructure and basic services;
- The continuing global and local economic crisis and its impact on employment opportunities and the flow and growth of foreign and domestic investment;
- The budget shortfall and increased spending pressure related to fuel prices and subsidies, which resulted in the reduction of capital spending earmarked to improve education and health services and infrastructure.

Source: Higher Population Council of Jordan.

Closely related to monitoring and evaluation are the data limitations Arab countries face, in terms of both availability and quality. Data limitations may produce misleading results and impose significant constraints on the design and analysis of policies and make monitoring and evaluation of policies and

programmes difficult. The challenge of producing and using reliable data becomes even more important during periods of rapid change, such as those following crises or transitions. Thus capacity-building of national statistical offices is required to ensure that they are able to provide policy makers with the demographic, economic and social data they require to make informed decisions related to the age-structural transition. Further specialized studies should also be carried out such as comparable follow-up surveys to establish baselines for tracing changes over time.

Thus the opportunities offered by the age-structural transition for development will not be seized without special attention from Arab countries to implementing reforms that can meet the varied needs of the different age groups at key moments in the age-structural transition, or support them in achieving their potential. In many cases, the need for these reforms is well-known and not justified on the grounds of the age-structural transition alone. However, the age-structural transition adds a particular urgency to these calls for reform: if these issues are not addressed soon, the Arab countries will have allowed a major development opportunity that may never be repeated to slip through their fingers.

Annex I

Demographic trends in the Arab countries

TABLE 1. TRENDS IN ESTIMATED AND PROJECTED POPULATION SIZE OF ARAB COUNTRIES, 1950-2050
(Thousands)

Country	1950	1975	2000	2010	2025	2050
	Total (percentage of Arab region)					
Algeria	8 872 (12.2)	16 834 (11.8)	31 719 (11.4)	37 063 (10.6)	46 480 (10.2)	54 522 (9.0)
Bahrain	116 (0.2)	267 (0.2)	668 (0.2)	1 252 (0.4)	1 571 (0.3)	1 835 (0.3)
Comoros	156 (0.2)	261 (0.2)	528 (0.2)	683 (0.2)	954 (0.2)	1 508 (0.2)
Djibouti	62 (0.1)	224 (0.2)	723 (0.3)	834 (0.2)	1 023 (0.2)	1 244 (0.2)
Egypt	21 514 (29.5)	40 359 (28.3)	66 137 (23.8)	78 076 (22.4)	96 989 (21.3)	121 798 (20.2)
Iraq	5 719 (7.8)	11 685 (8.2)	23 801 (8.6)	30 962 (8.9)	45 892 (10.1)	71 336 (11.8)
Jordan	449 (0.6)	1 985 (1.4)	4 767 (1.7)	6 455 (1.9)	8 742 (1.9)	11 510 (1.9)
Kuwait	152 (0.2)	1 050 (0.7)	1 906 (0.7)	2 992 (0.9)	4 432 (1.0)	6 342 (1.1)
Lebanon	1 335 (1.8)	2 576 (1.8)	3 235 (1.2)	4 341 (1.2)	5 043 (1.1)	5 316 (0.9)
Libya	1 113 (1.5)	2 532 (1.8)	5 176 (1.9)	6 041 (1.7)	7 145 (1.6)	8 350 (1.4)
Mauritania	660 (0.9)	1 329 (0.9)	2 708 (1.0)	3 609 (1.0)	5 097 (1.1)	7 921 (1.3)
Morocco	8 986 (12.3)	17 685 (12.4)	28 710 (10.3)	31 642 (9.1)	37 723 (8.3)	42 884 (7.1)
Palestine	932 (1.3)	1 322 (0.9)	3 205 (1.2)	4 013 (1.2)	5 769 (1.3)	8 906 (1.5)
Oman	456 (0.6)	882 (0.6)	2 193 (0.8)	2 803 (0.8)	4 770 (1.0)	5 065 (0.8)
Qatar	25 (0.0)	164 (0.1)	594 (0.2)	1 750 (0.5)	2 662 (0.6)	2 985 (0.5)
Saudi Arabia	3 121 (4.3)	7 378 (5.2)	20 145 (7.3)	27 258 (7.8)	34 207 (7.5)	40 338 (6.7)
Somalia	2 264 (3.1)	3 881 (2.7)	7 385 (2.7)	9 636 (2.8)	14 743 (3.2)	27 076 (4.5)
Sudan	5 734 (7.9)	12 076 (8.5)	27 730 (10.0)	35 652 (10.2)	49 676 (10.9)	77 138 (12.8)
Syrian Arab Republic	3 413 (4.7)	7 564 (5.3)	16 371 (5.9)	21 533 (6.2)	27 865 (6.1)	36 706 (6.1)
Tunisia	3 099 (4.2)	5 561 (3.9)	9 553 (3.4)	10 632 (3.1)	12 231 (2.7)	13 192 (2.2)
United Arab Emirates	70 (0.1)	533 (0.4)	3 026 (1.1)	8 442 (2.4)	11 479 (2.5)	15 479 (2.6)
Yemen	4 661 (6.4)	6 677 (4.7)	17 523 (6.3)	22 763 (6.5)	31 279 (6.9)	42 497 (7.0)
Arab region	Total (percentage of world population)					
	72 911 (2.9)	142 823 (3.5)	277 804 (4.5)	348 430 (5.0)	455 772 (5.0)	603 948 (6.3)
World	Total					
	2 525 779	4 071 020	6 127 700	6 916 183	8 083 413	9 550 945

Source: World Population Prospects: The 2012 Revision.

TABLE 2. ESTIMATED AND PROJECTED POPULATION GROWTH RATE OF ARAB COUNTRIES,
1950-2050

Country	1950-1955	1975-1980	2000-2005	2025-2030	2050-2055
Algeria	2.2	2.9	1.4	0.9	0.3
Bahrain	2.9	6.0	5.5	0.9	0.2
Comoros	2.1	3.7	2.6	2.1	1.5
Djibouti	2.3	9.4	1.4	1.0	0.4
Egypt	2.5	2.1	1.6	1.1	0.6
Iraq	2.6	3.1	2.8	2.1	1.3
Jordan	7.3	2.8	1.9	1.4	0.6
Kuwait	4.9	5.3	3.7	1.7	1.0
Lebanon	2.8	0.2	4.2	0.5	-0.1
Libya	2.0	3.9	1.6	0.9	0.2
Mauritania	2.5	2.9	3.0	2.0	1.4
Morocco	3.1	2.3	1.0	0.8	0.2
Palestine	1.2	2.7	2.1	2.1	1.3
Oman	1.7	5.4	2.8	0.6	0.0
Qatar	7.2	6.2	6.5	0.7	-0.1
Saudi Arabia	2.6	5.8	4.1	0.8	0.3
Somalia	1.9	9.0	2.7	2.7	2.0
Sudan	2.6	3.5	2.6	2.1	1.3
Syrian Arab Republic	2.8	3.4	2.1	1.4	0.7
Tunisia	2.4	2.5	1.0	0.5	0.0
United Arab Emirates	2.3	12.9	6.3	1.4	0.5
Yemen	0.5	3.4	2.8	1.7	0.6
Arab region	2.4	3.1	2.2	1.4	0.8
World	1.8	1.8	1.2	0.8	0.5

Source: World Population Prospects: The 2012 Revision.

TABLE 3. ESTIMATED AND PROJECTED MEDIAN AGE OF THE TOTAL POPULATION OF ARAB COUNTRIES, 1950-2050

Country	1950	1975	2000	2010	2025	2050
Algeria	19.4	16.6	21.6	26.0	30.5	36.3
Bahrain	18.9	19.3	26.5	30.0	34.3	45.1
Comoros	21.2	17.4	18.6	19.1	20.6	24.6
Djibouti	16.5	16.6	19.1	22.0	25.6	32.4
Egypt	20.4	19.3	22.0	24.4	28	34.6
Iraq	22.0	17.0	18.3	19.1	22.2	27.8
Jordan	17.2	16.4	19.5	22.5	25.7	33.8
Kuwait	21.5	17.6	28.6	28.4	31.1	35.6
Lebanon	23.2	19.5	26.3	28.5	36.7	48.8
Libya	21.0	17.0	22.2	25.6	30.7	40.6
Mauritania	17.9	17.0	18.4	19.5	21.4	25.7
Morocco	19.5	16.7	22.3	26.2	30.6	36.7
Palestine	17.3	14.9	16.2	18.2	22.4	29
Oman	18.8	17.1	20.8	25.1	34.2	50.8
Qatar	18.9	23.2	30.3	31.6	38.5	55.8
Saudi Arabia	19.0	18.0	21.1	26.1	32.2	41.7
Somalia	19.5	18.2	16.4	16.1	17.4	21.3
Sudan	18.1	16.6	17.9	18.7	21.3	26.2
Syrian Arab Republic	20.3	15.9	18.8	21.9	26.4	35.3
Tunisia	19.3	17.6	24.6	29.0	35.6	43.4
United Arab Emirates	18.9	25.2	28.2	28.0	37.7	46.9
Yemen	18.9	16.3	15.6	18.2	22.5	30.8
Arab region	19.8	17.6	20.6	23.2	27.2	33.4
World	23.5	21.9	26.3	28.5	32.2	36.1

Source: World Population Prospects: The 2012 Revision.

TABLE 4. CURRENT AND PROJECTED DISTRIBUTION OF THE POPULATION
OF ARAB COUNTRIES, BY BROAD AGE GROUPS
(Percentage)

Country	Children (0-14)		Working-age (15-64)				Older persons (65+)	
			Youth (15-24)		Adult (25-64)			
	2010	2050	2010	2050	2010	2050	2010	2050
Algeria	27.1	20.2	20.8	12.7	47.4	52.8	4.7	14.3
Bahrain	19.9	13.4	14.6	9.5	63.5	58.9	2.0	18.2
Comoros	42.2	32.3	18.6	18.5	36.3	43.8	2.9	5.4
Djibouti	34.1	23.7	22.4	15.1	39.7	50.8	3.7	10.4
Egypt	31.5	21.8	19.7	14.5	43.3	51.4	5.5	12.3
Iraq	41.2	28.2	19.8	17.3	35.6	47.3	3.4	7.2
Jordan	35.1	22.3	19.8	14.6	41.7	50.4	3.4	12.7
Kuwait	25.2	19.4	16.2	12.4	56.5	57.1	2.1	11.1
Lebanon	23.7	13.4	20.0	10.1	47.8	50.8	8.5	25.7
Libya	29.4	16.9	19.3	11.5	46.7	53.0	4.6	18.7
Mauritania	40.6	30.9	19.6	18.0	36.7	45.1	3.1	6.1
Morocco	28.1	20.1	19.8	13.2	47.1	51.5	5.0	15.2
Palestine	42.1	26.6	21.4	16.9	33.7	48.7	2.8	7.8
Oman	27.4	14.7	22.4	10.1	47.7	54.3	2.5	20.9
Qatar	13.7	9.6	14.4	6.5	70.8	54.8	1.1	29.1
Saudi Arabia	30.7	15.9	17.2	9.6	49.1	56.1	3.0	18.4
Somalia	47.7	37.0	18.9	20.0	30.6	39.6	2.8	3.4
Sudan	42.1	30.0	19.6	18.0	35.2	46.1	3.1	6.0
Syrian Arab Republic	35.7	20.5	20.7	14.6	39.8	51.9	3.7	12.9
Tunisia	23.5	16.2	18.8	10.8	50.7	50.0	6.9	22.9
United Arab Emirates	13.9	11.2	23.0	7.5	62.8	56.7	0.3	24.6
Yemen	42.0	23.7	23.1	16.7	32.2	53.4	2.7	6.3
Arab region	33.3	23.2	19.9	14.7	42.7	50.4	5.7	11.7
World	26.6	21.3	17.7	13.7	48.0	49.4	7.7	15.6

Source: World Population Prospects: The 2012 Revision.

TABLE 5. CRUDE BIRTH RATE (CBR) OF ARAB COUNTRIES, 1950-2050
(Per 1,000 population)

Country	1950-1955	1975-1980	2000-2005	2025-2030	2050-2055
Algeria	53	45	19	16	14
Bahrain	45	33	20	10	9
Comoros	45	45	39	30	23
Djibouti	41	42	29	20	15
Egypt	51	38	24	18	14
Iraq	53	41	35	26	19
Jordan	47	43	30	19	14
Kuwait	44	41	21	16	13
Lebanon	40	30	16	11	9
Libya	50	43	23	14	11
Mauritania	49	44	37	29	23
Morocco	51	39	21	16	13
Palestine	46	47	36	25	18
Oman	49	50	22	12	10
Qatar	48	36	18	7	7
Saudi Arabia	48	44	25	11	10
Somalia	49	46	47	38	28
Sudan	47	46	39	28	21
Syrian Arab Republic	51	45	29	19	13
Tunisia	51	37	17	12	11
United Arab Emirates	50	29	16	8	7
Yemen	49	55	38	24	15
Arab region	50	42	27	20	16
World	37	28	21	17	14

Source: World Population Prospects: The 2012 Revision.

TABLE 6. CRUDE DEATH RATE (CDR) OF ARAB COUNTRIES, 1950-2050
(Per 1,000 population)

Country	1950-1955	1975-1980	2000-2005	2025-2030	2050-2055
Algeria	23.7	13.4	5.3	6.5	10.1
Bahrain	21.1	4.8	2.6	3.2	8.2
Comoros	23.6	15.4	10.2	7.8	7.7
Djibouti	21.0	12.1	10.2	7.5	8.6
Egypt	25.3	12.9	6.9	6.4	7.6
Iraq	27.7	9.4	5.1	4.7	6.0
Jordan	20.4	7.4	4.0	4.2	6.7
Kuwait	13.6	4.5	3.1	3.1	6.0
Lebanon	12.9	7.3	5.2	5.5	9.4
Libya	30.3	8.5	4.3	4.7	8.0
Mauritania	23.8	13.9	9.6	8.0	8.4
Morocco	20.2	12.0	6.1	6.8	9.7
Palestine	20.0	8.9	3.8	3.5	4.6
Oman	28.3	11.6	3.3	2.8	6.8
Qatar	13.4	3.6	1.9	2.1	10.0
Saudi Arabia	23.3	9.7	3.8	3.8	7.9
Somalia	29.8	20.7	15.0	9.3	6.6
Sudan	20.3	13.4	10.0	7.5	7.7
Syrian Arab Republic	19.2	7.7	3.5	4.1	5.9
Tunisia	24.5	9.7	5.3	6.4	10.2
United Arab Emirates	22.0	4.7	1.7	1.7	7.1
Yemen	41.2	19.1	8.7	6.6	8.3
Arab region	24.7	12.1	6.4	5.8	7.7
World	19.1	10.6	8.4	8.3	9.9

Source: World Population Prospects: The 2012 Revision.

TABLE 7. INTERNATIONAL MIGRANT STOCK IN ARAB COUNTRIES, ARAB REGION,
AND WORLD BY SEX, 2013

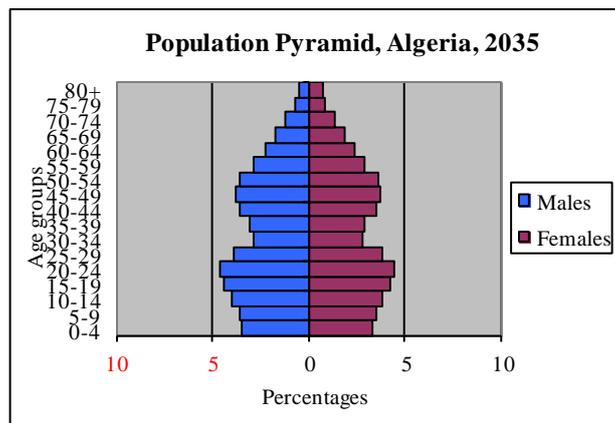
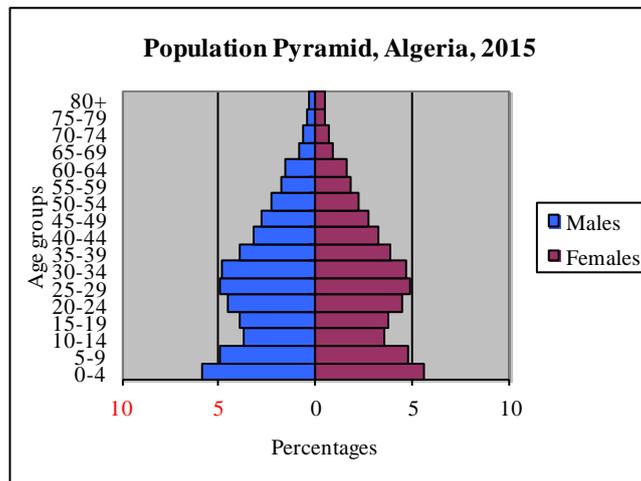
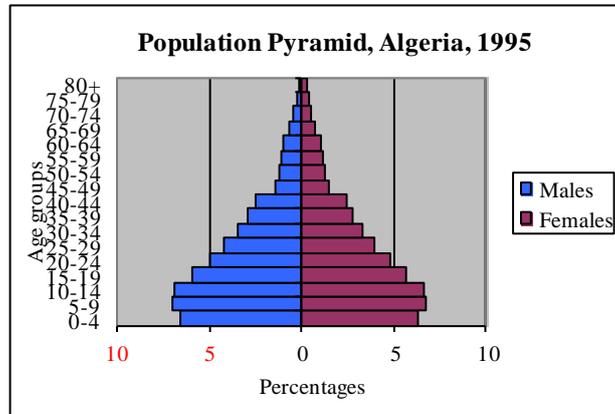
Country	Migrants stock by sex		Total (percentage female)	
	Male	Female		
Algeria	148 733	121 674	270 407	(45.0)
Bahrain	526 814	202 543	729 357	(27.8)
Comoros	6 039	6 472	12 511	(51.7)
Djibouti	68 572	54 965	123 537	(44.5)
Egypt	167 806	129 642	297 448	(43.6)
Iraq	67 282	28 498	95 780	(29.8)
Jordan	1 483 048	1 442 732	2 925 780	(49.3)
Kuwait	1 419 354	608 699	2 028 053	(30.0)
Lebanon	445 077	404 644	849 721	(47.6)
Libya	498 243	257 731	755 974	(34.1)
Mauritania	52 850	37 356	90 206	(41.4)
Morocco	26 566	24 205	50 771	(47.7)
Palestine	113 817	142 700	256 517	(55.6)
Oman	900 972	211 060	1 112 032	(19.0)
Qatar	1 267 783	333 172	1 600 955	(20.8)
Saudi Arabia	6 437 270	2 623 163	9 060 433	(29.0)
Somalia	13 328	11 265	24 593	(45.8)
Sudan	226 945	219 762	446 707	(49.2)
Syrian Arab Republic	712 219	682 008	1 394 227	(48.9)
Tunisia	18 567	17 959	36 526	(49.2)
United Arab Emirates	5 850 180	1 976 801	7 826 981	(25.3)
Yemen	186 611	128 072	314 683	(40.7)
Arab region	20 640 979	9 667 152	30 308 131	(31.9)
World	120 328 254	111 193 961	231 522 215	(49.0)

Source: United Nations, Department of Economic and Social Affairs, Population Division. Trends in International Migrant Stock: Migrants by Age and Sex (United Nations database, POP/DB/MIG/Stock/Rev.2013).

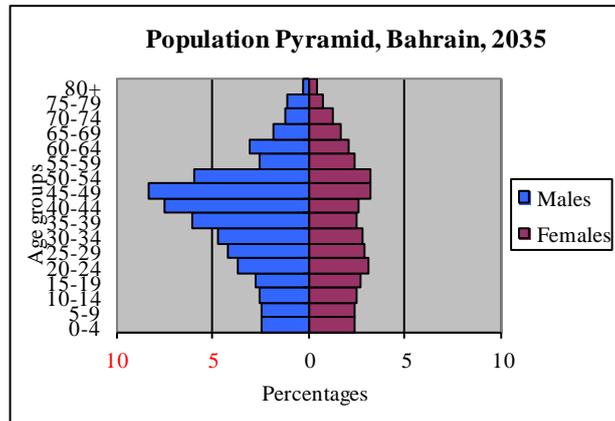
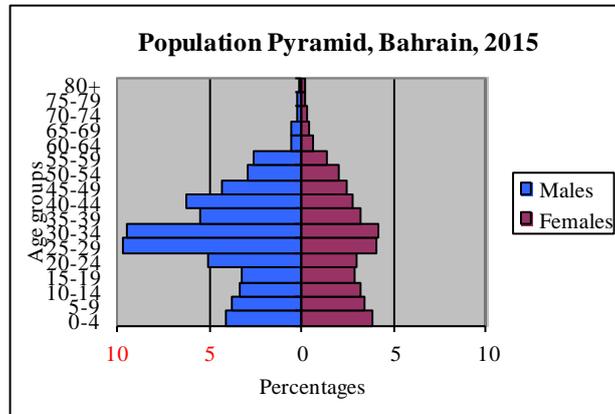
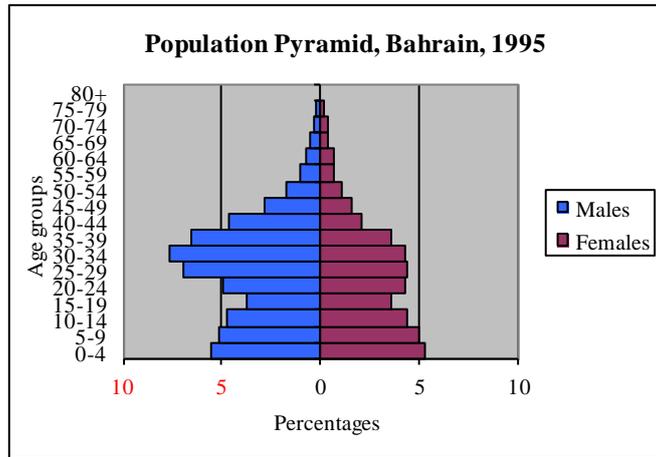
Annex II

Age-structural change in 22 Arab countries, 1995-2035

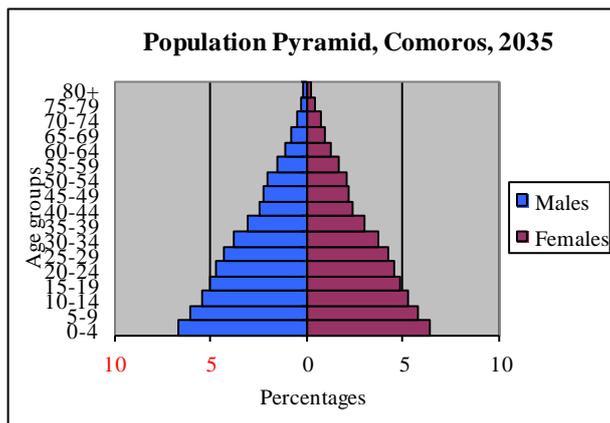
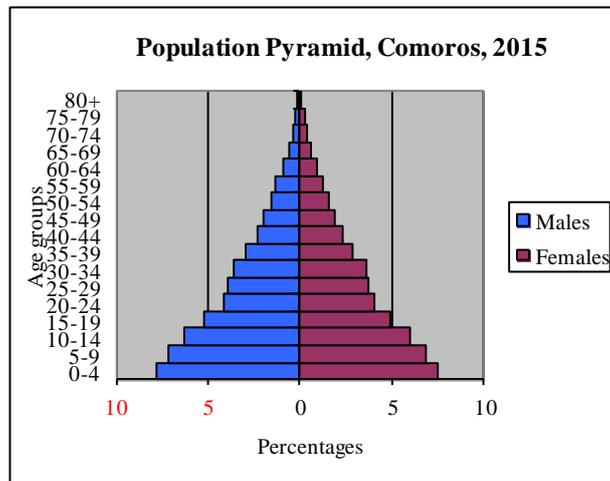
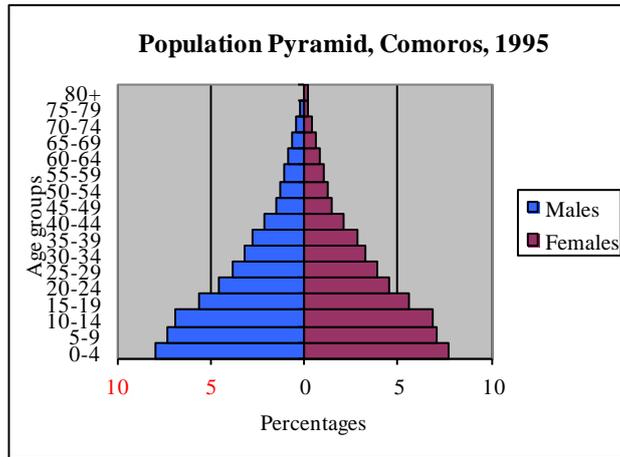
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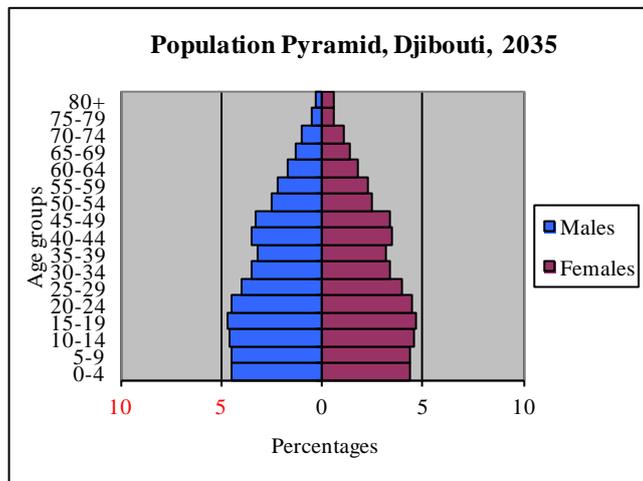
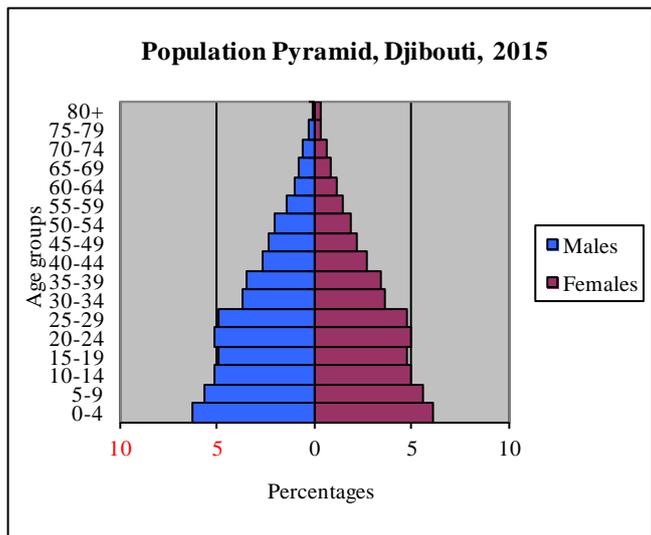
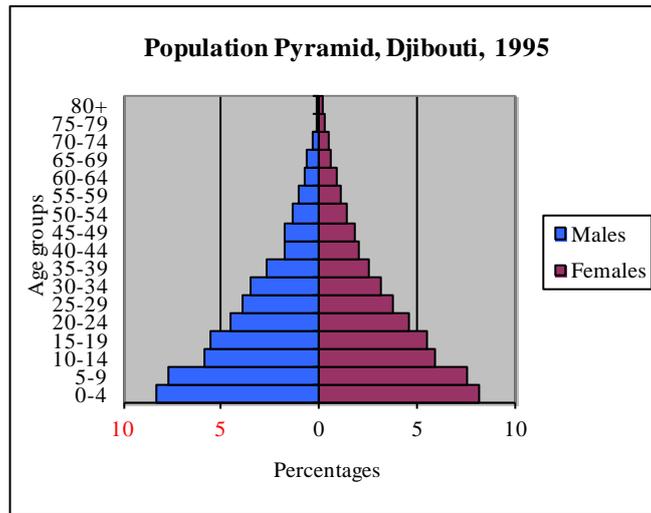
Bahrain



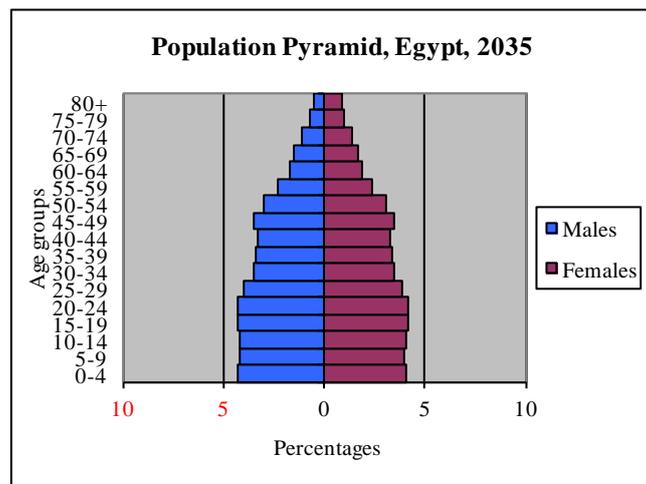
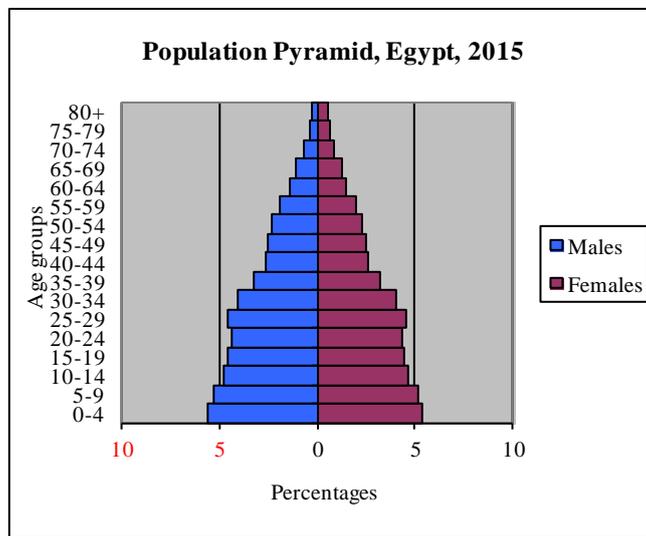
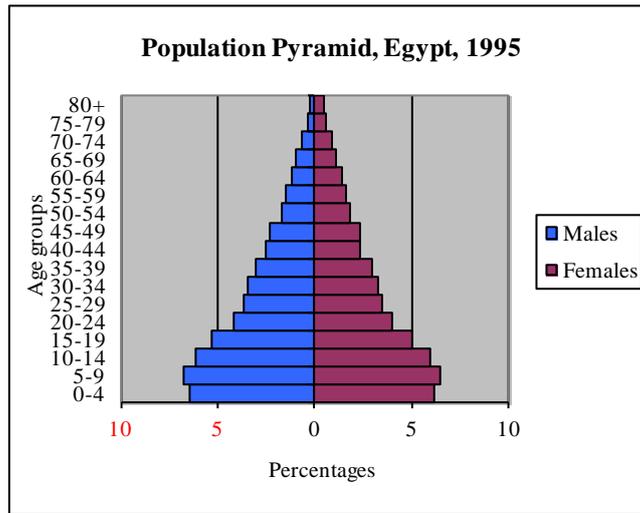
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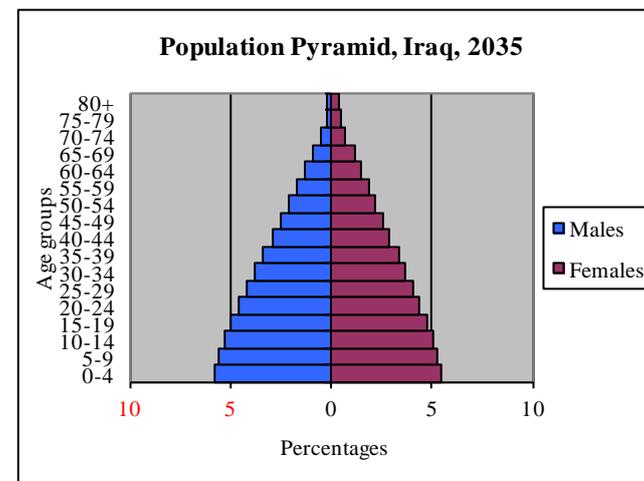
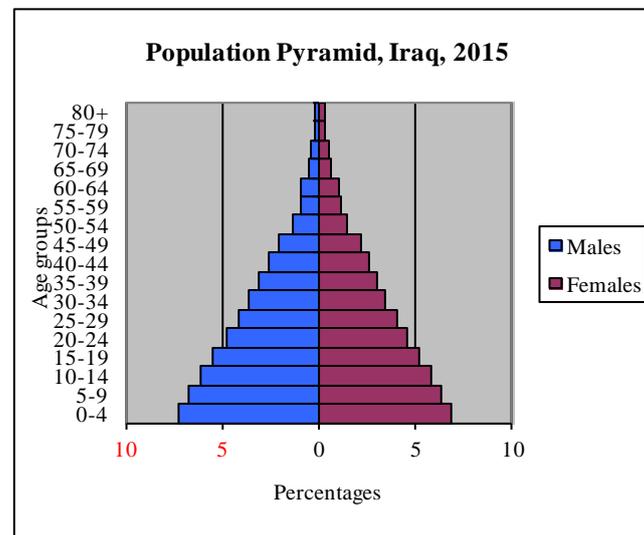
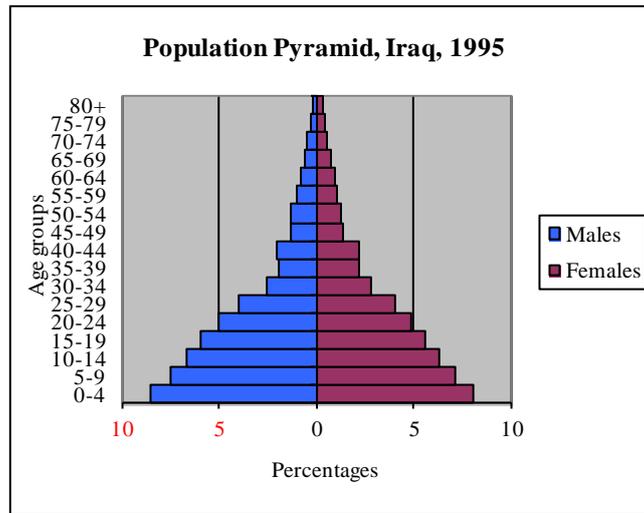
Djibouti



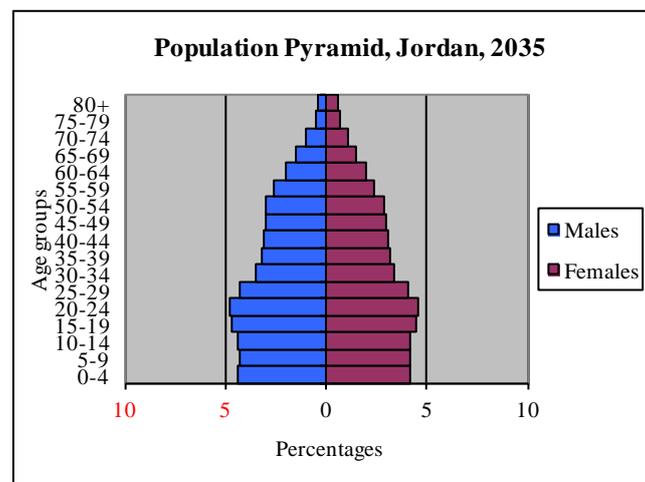
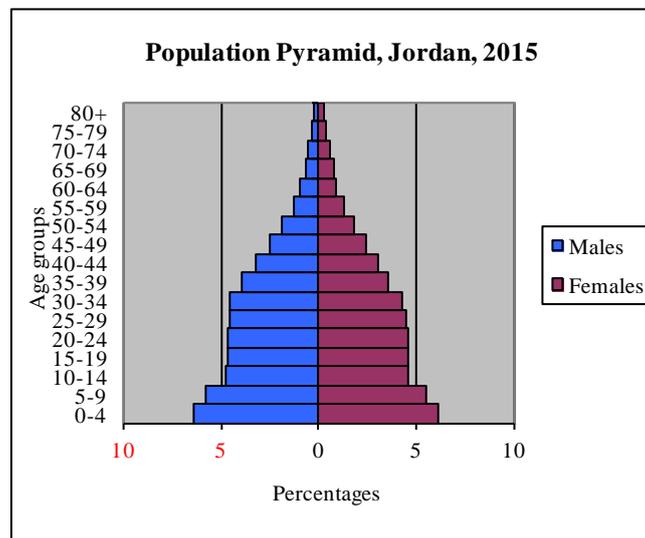
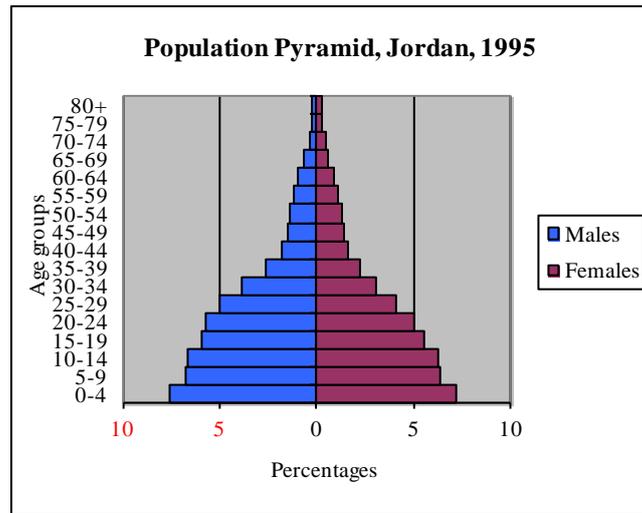
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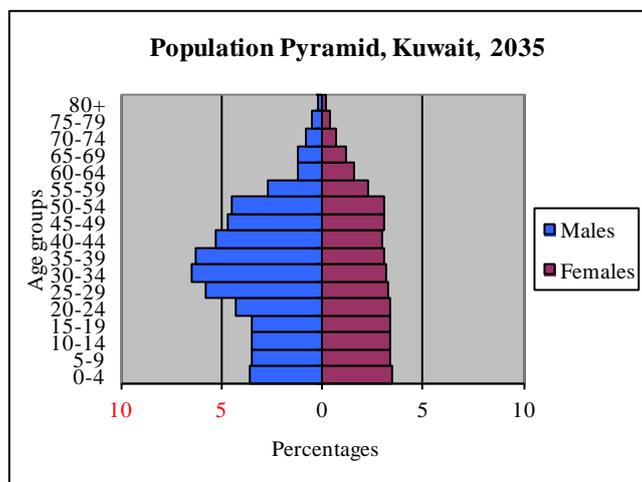
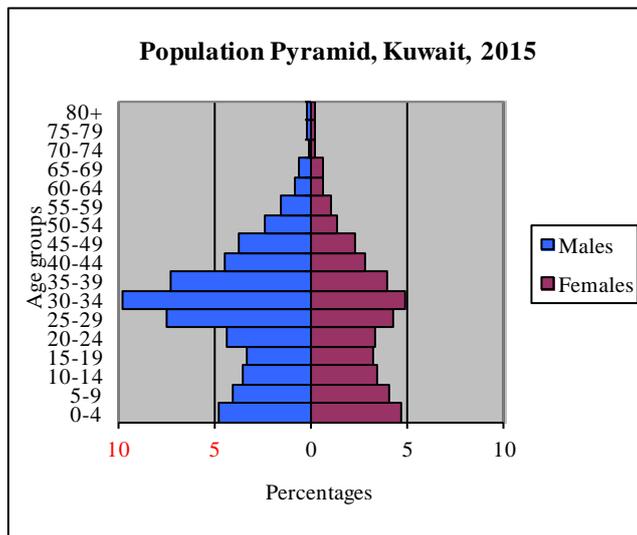
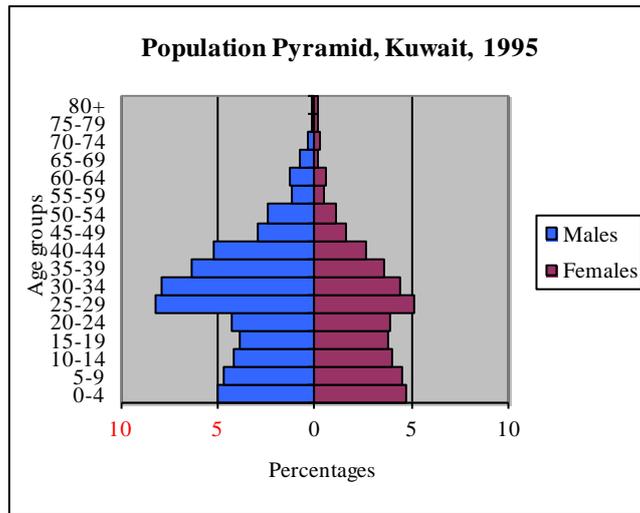
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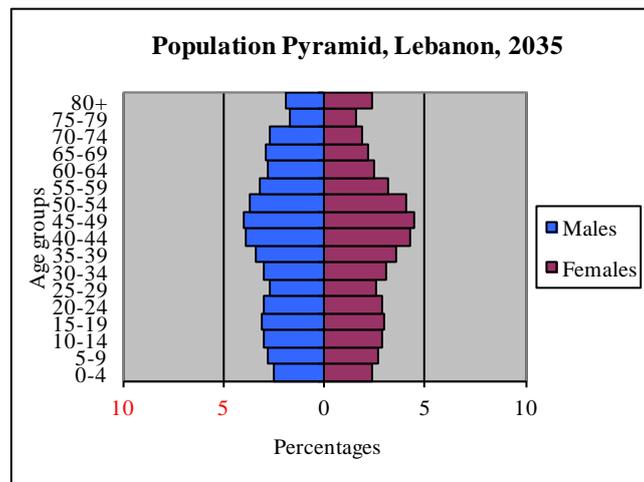
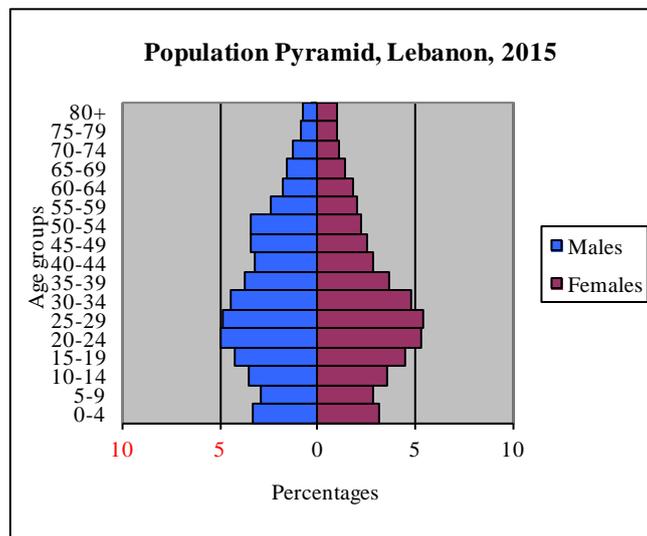
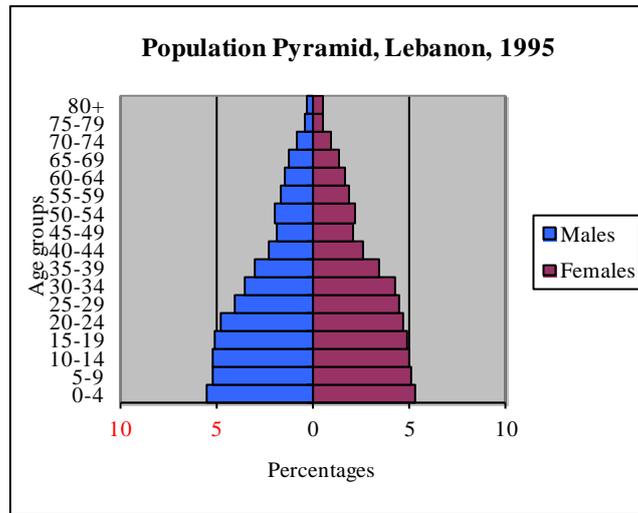
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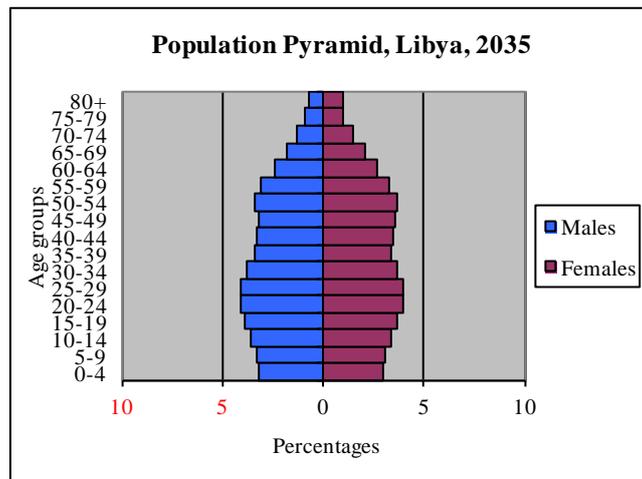
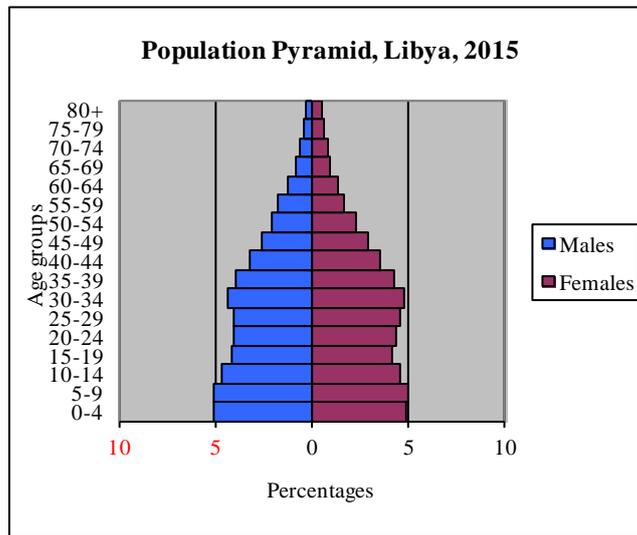
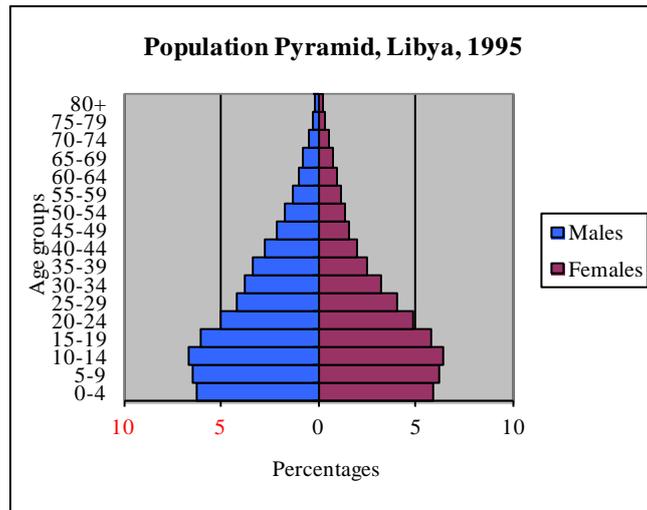
Kuwait



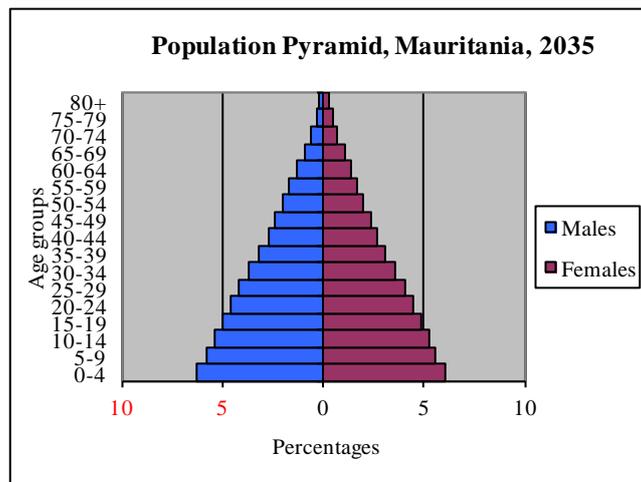
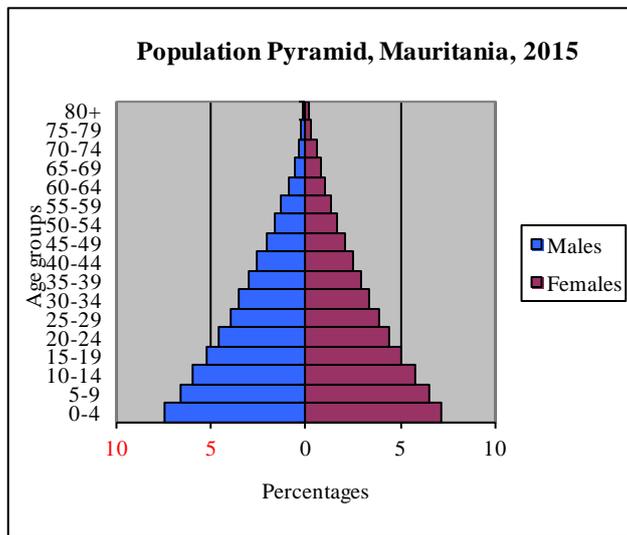
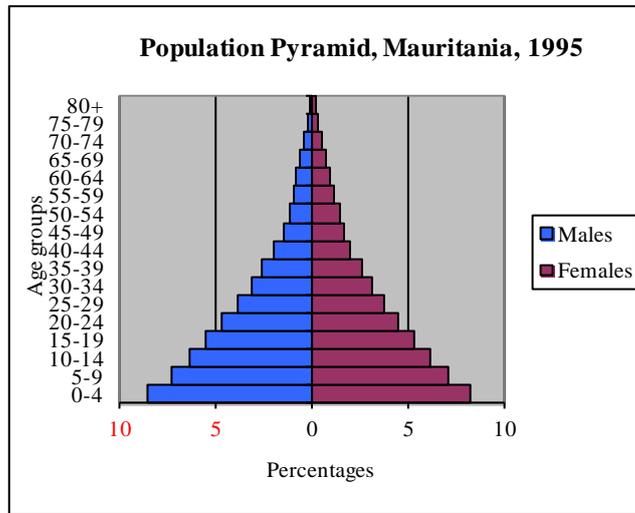
Lebanon



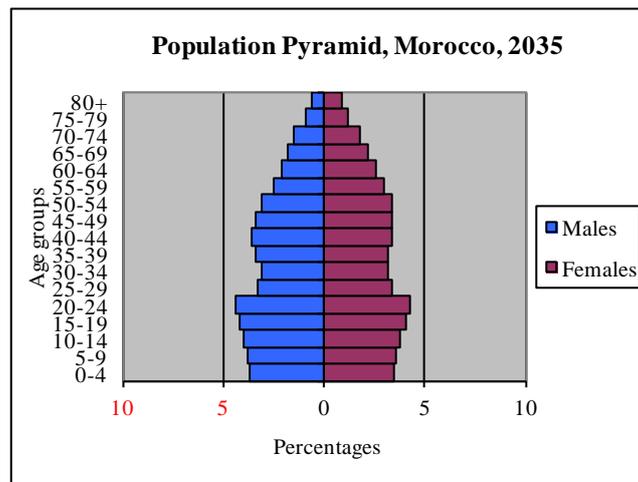
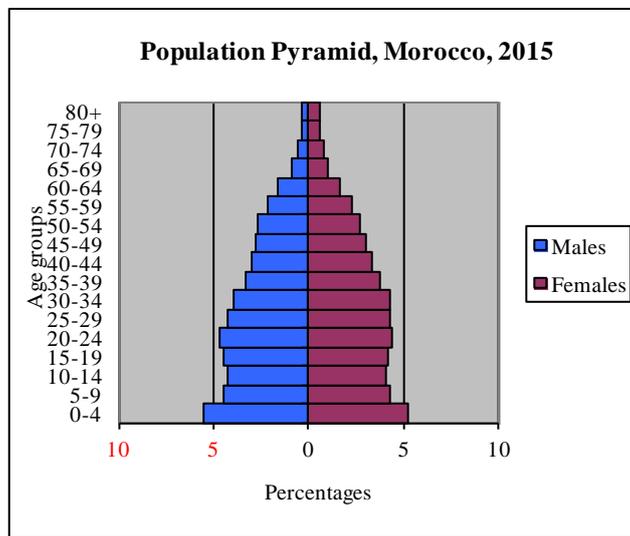
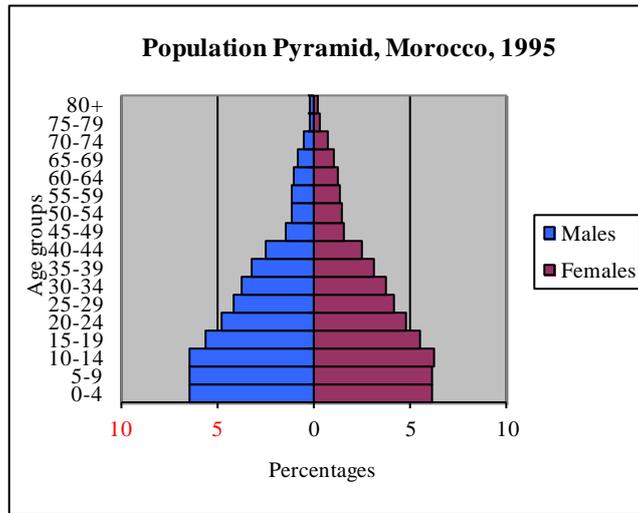
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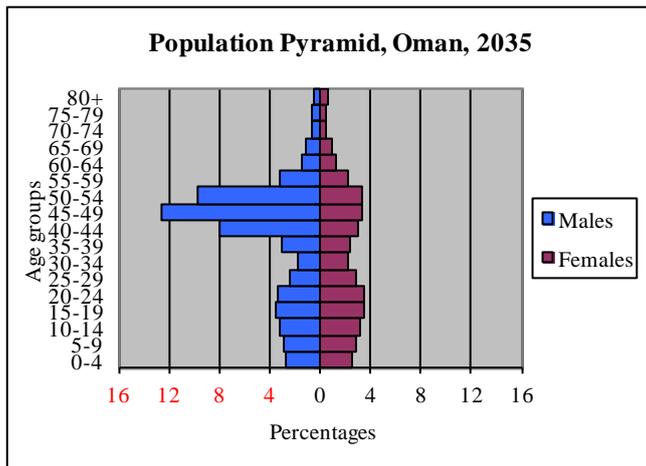
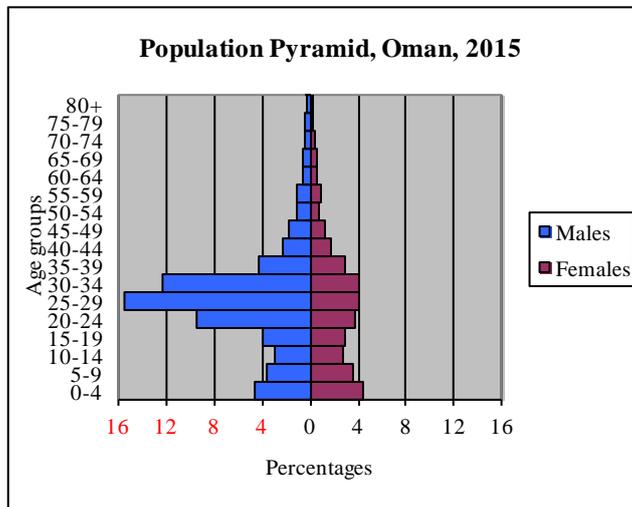
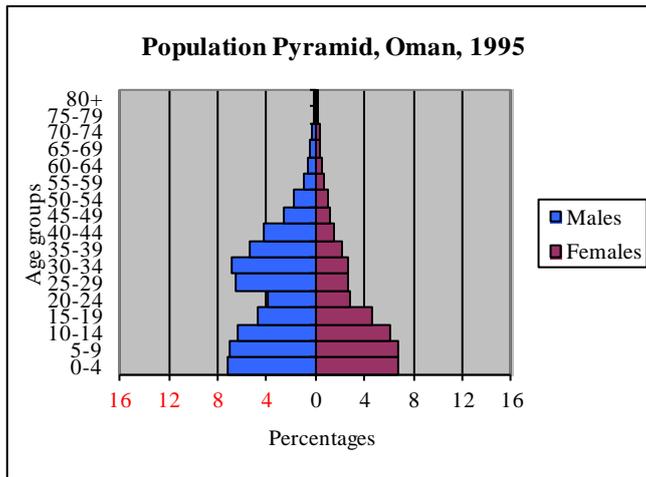
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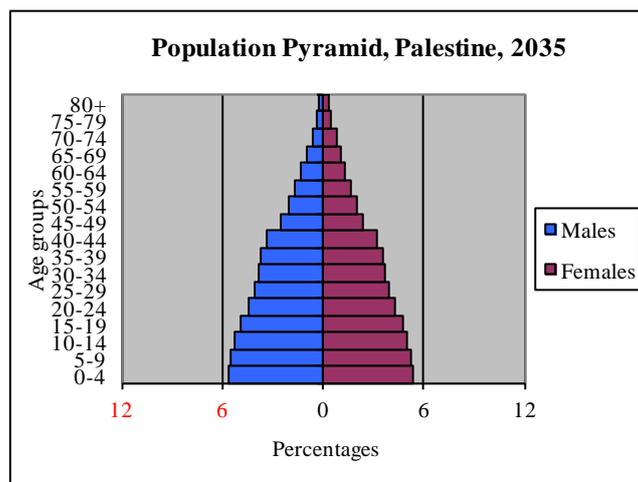
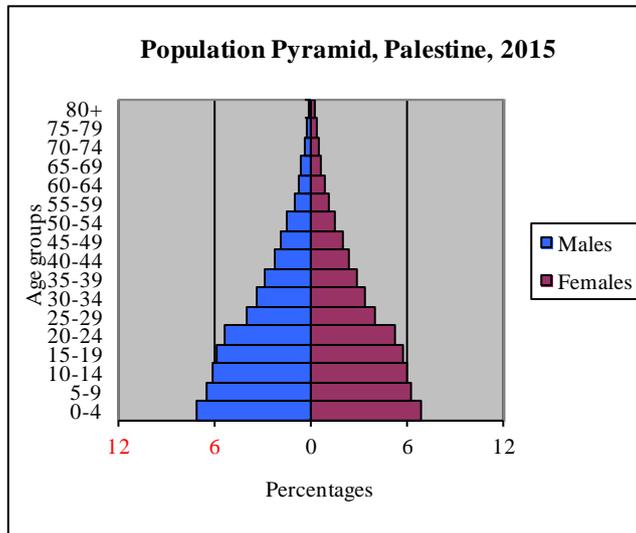
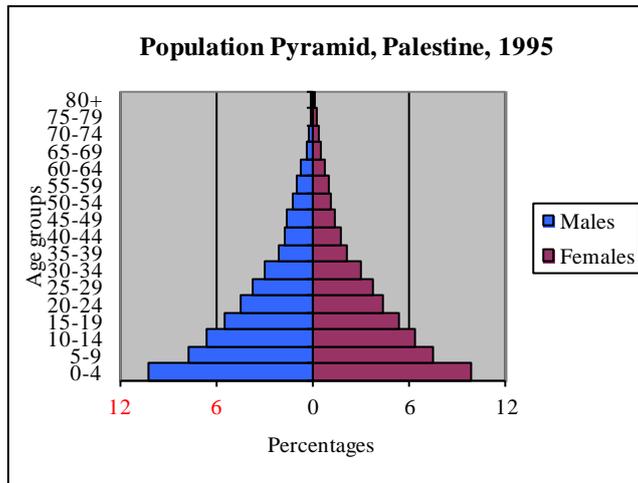
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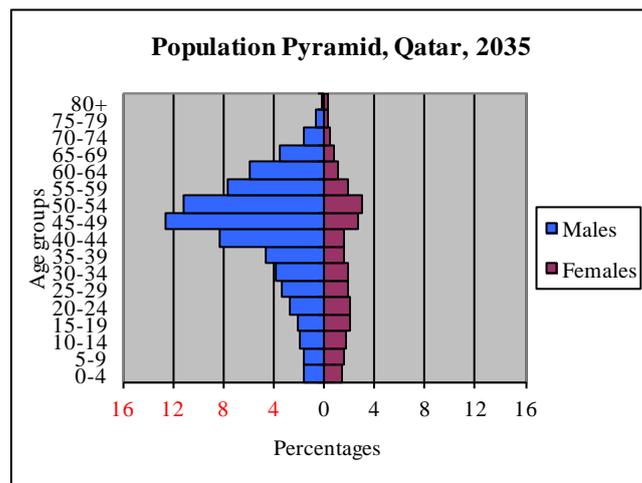
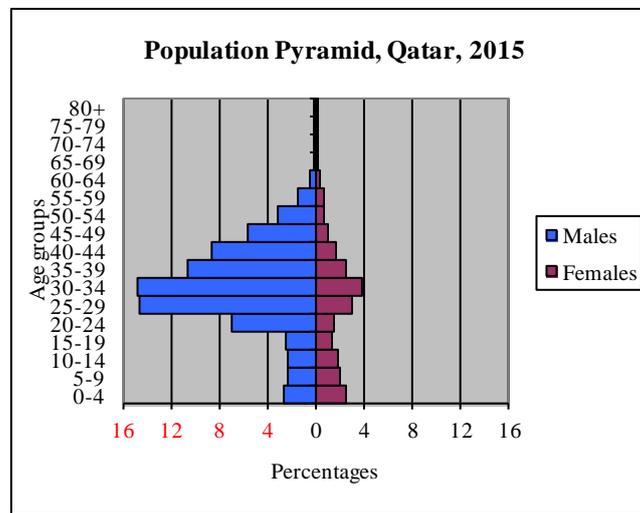
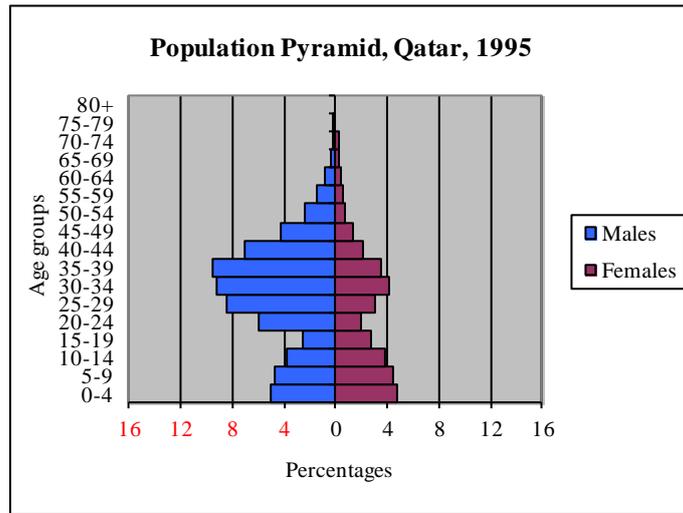
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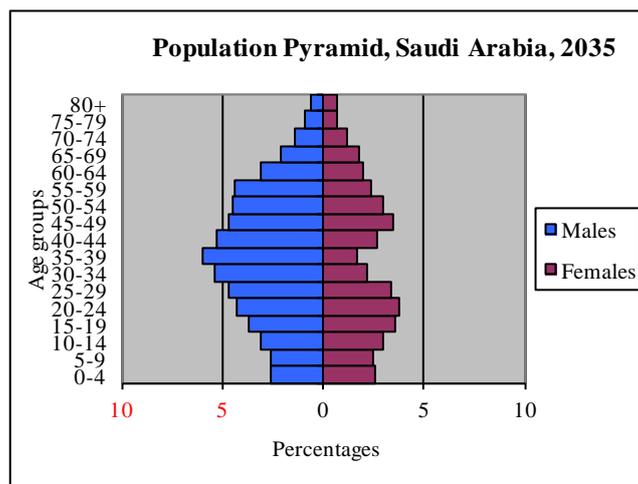
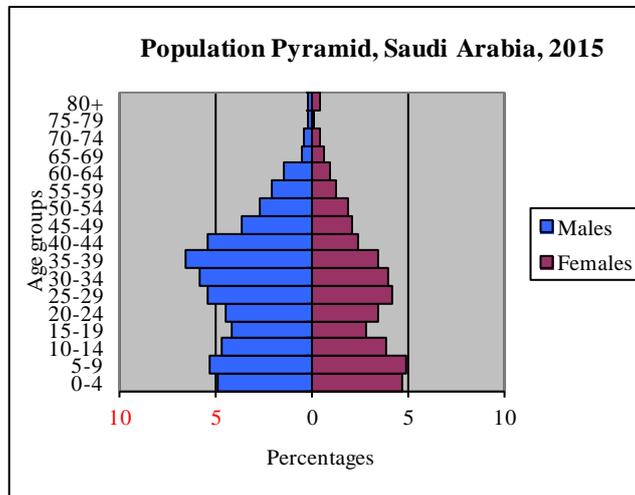
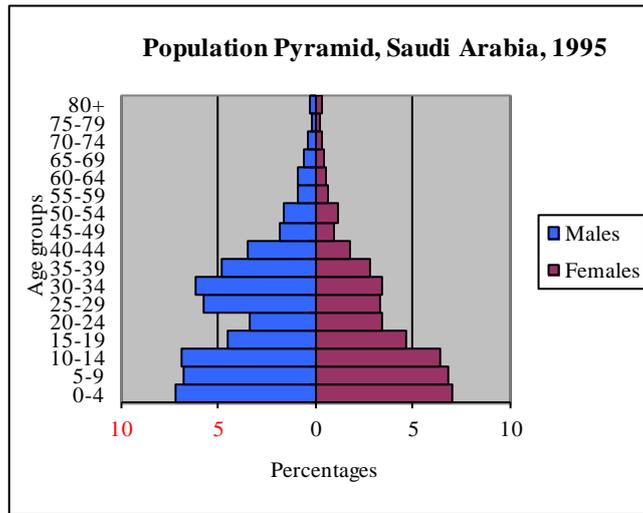
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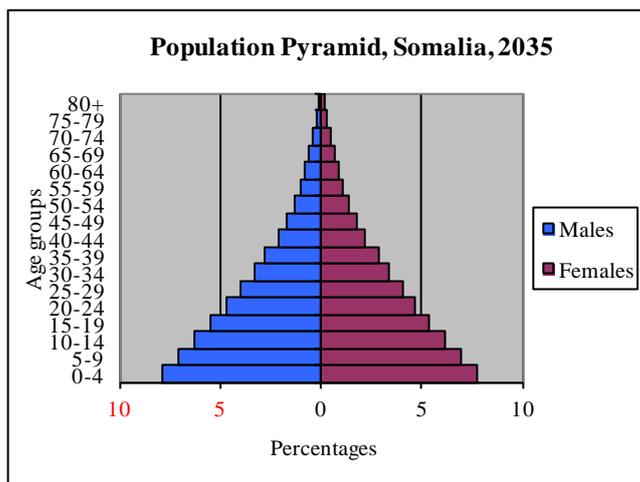
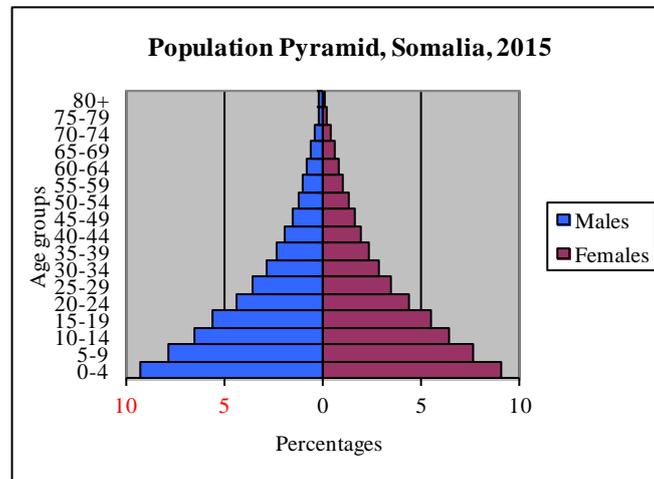
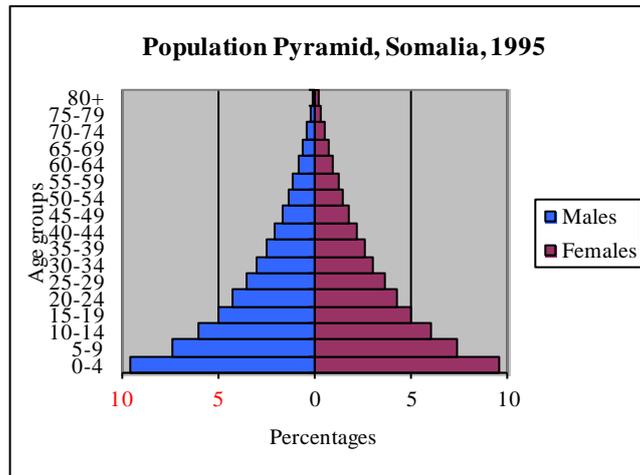
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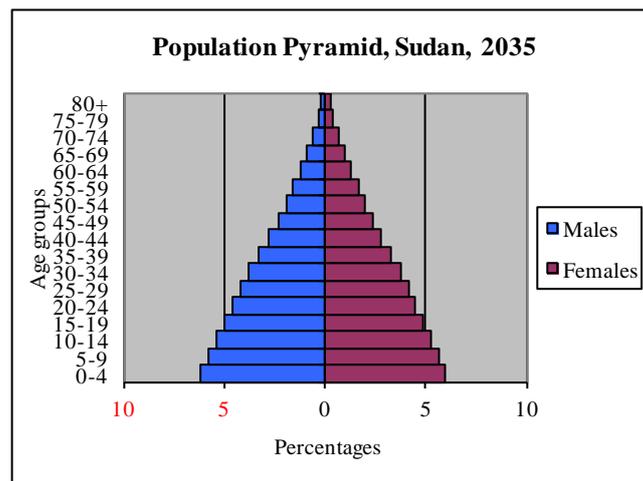
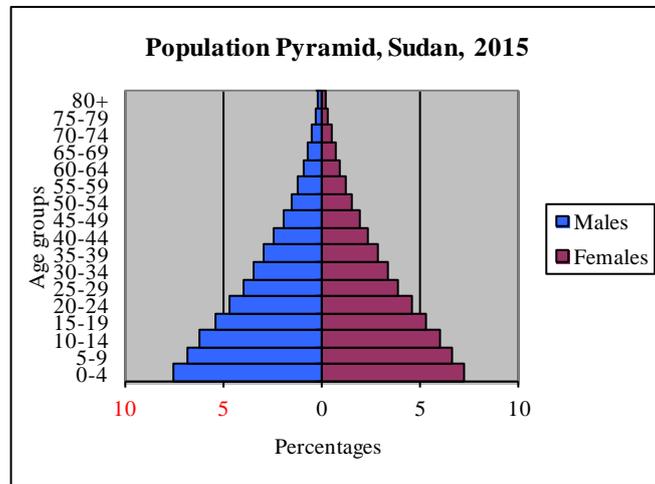
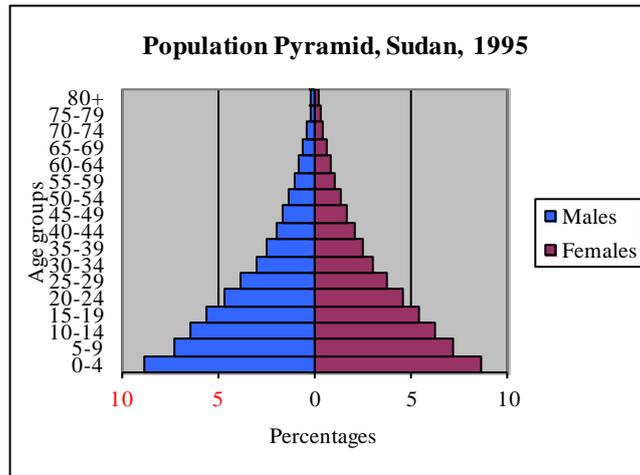
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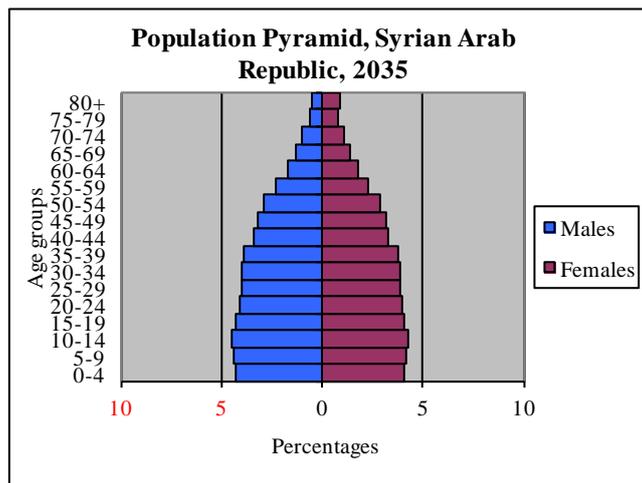
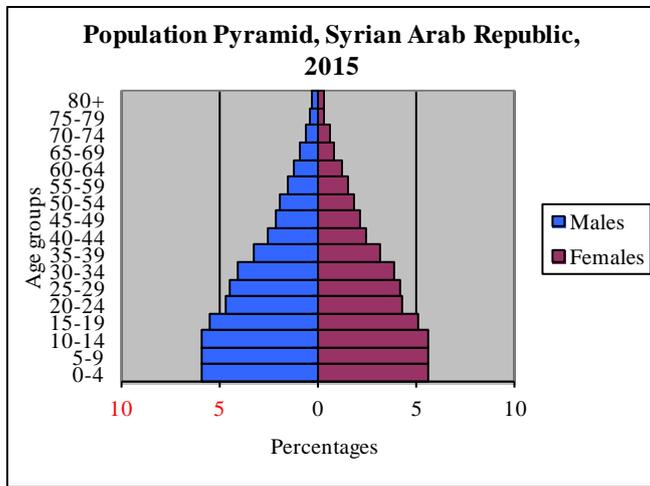
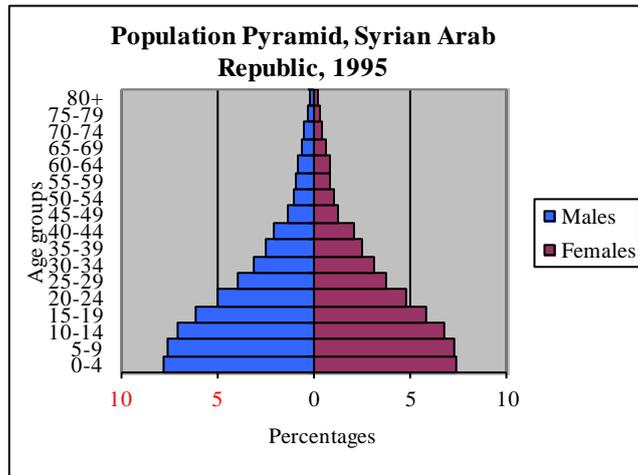
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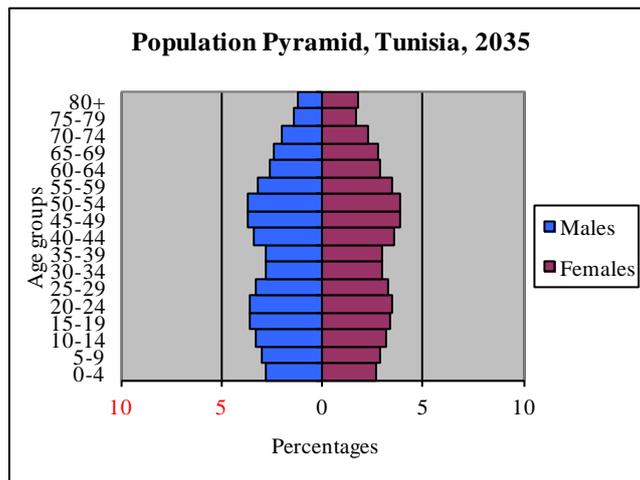
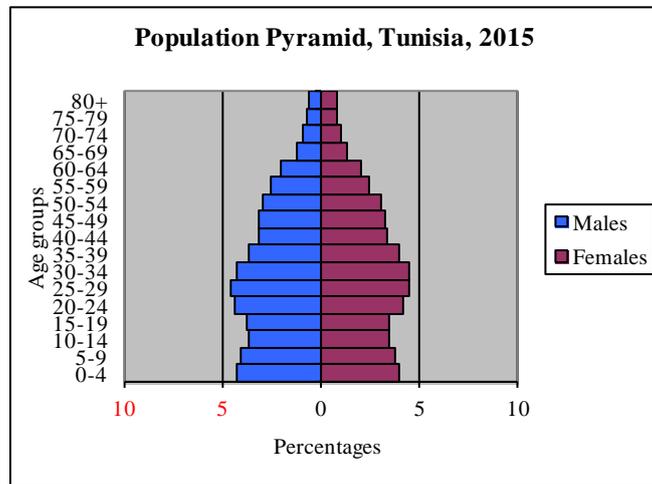
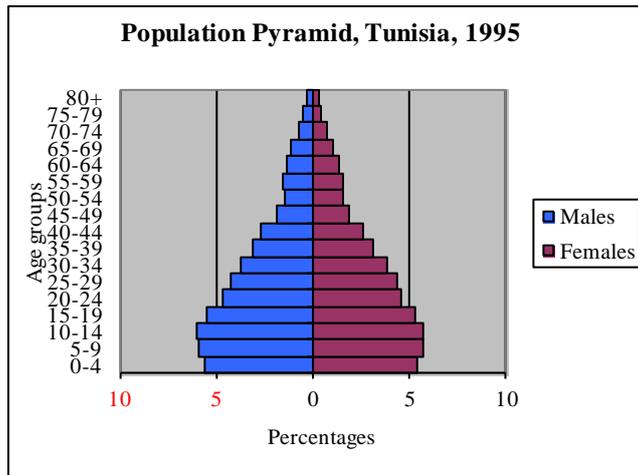
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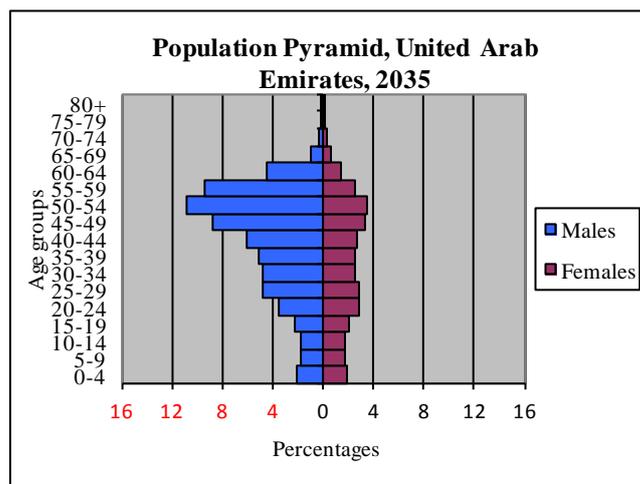
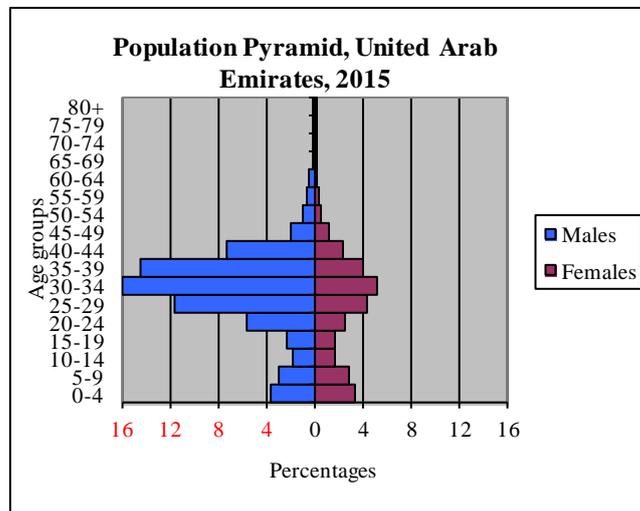
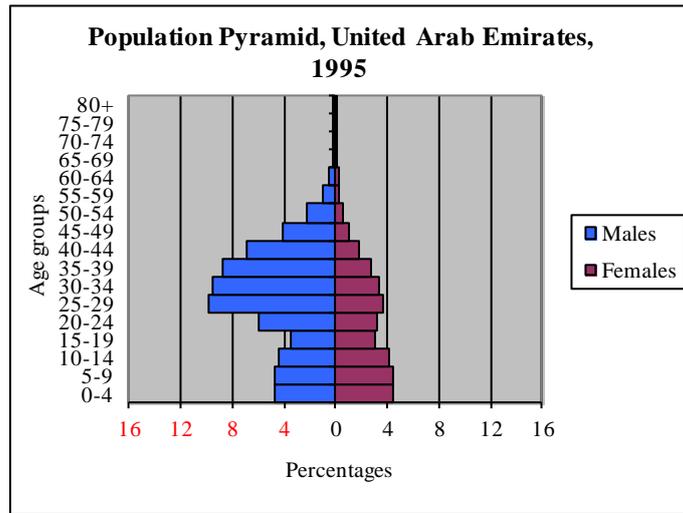
Syrian Arab Republic



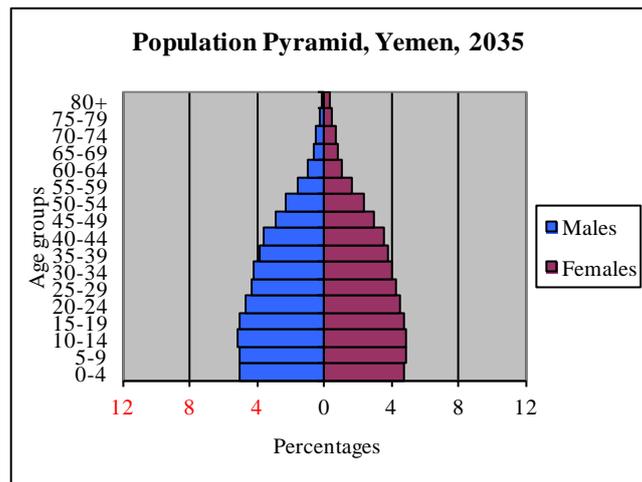
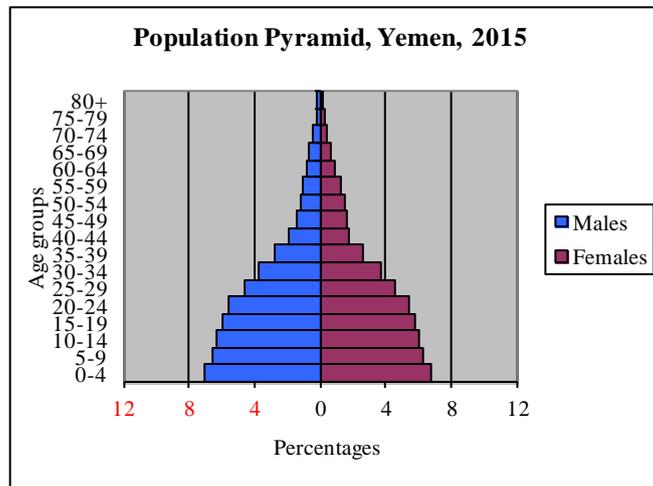
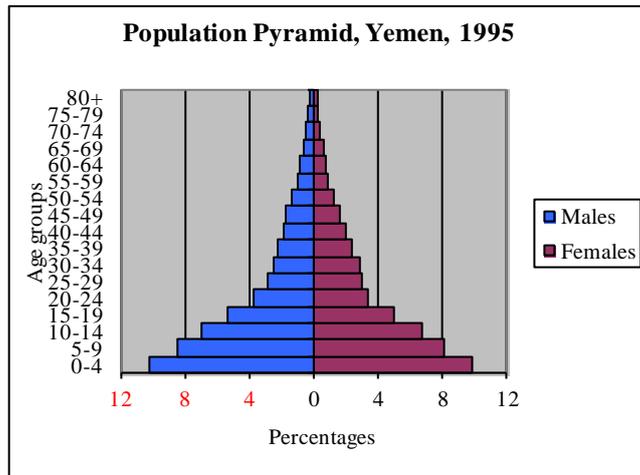
Tunisia



United Arab Emirates



Yemen



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