

# Human Development and Poverty Reduction Progress in Middle Income Arab Countries: Two Competing Narratives

Economic and Social Commission for Western Asia



UNITED NATIONS

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# Mainstream Narrative

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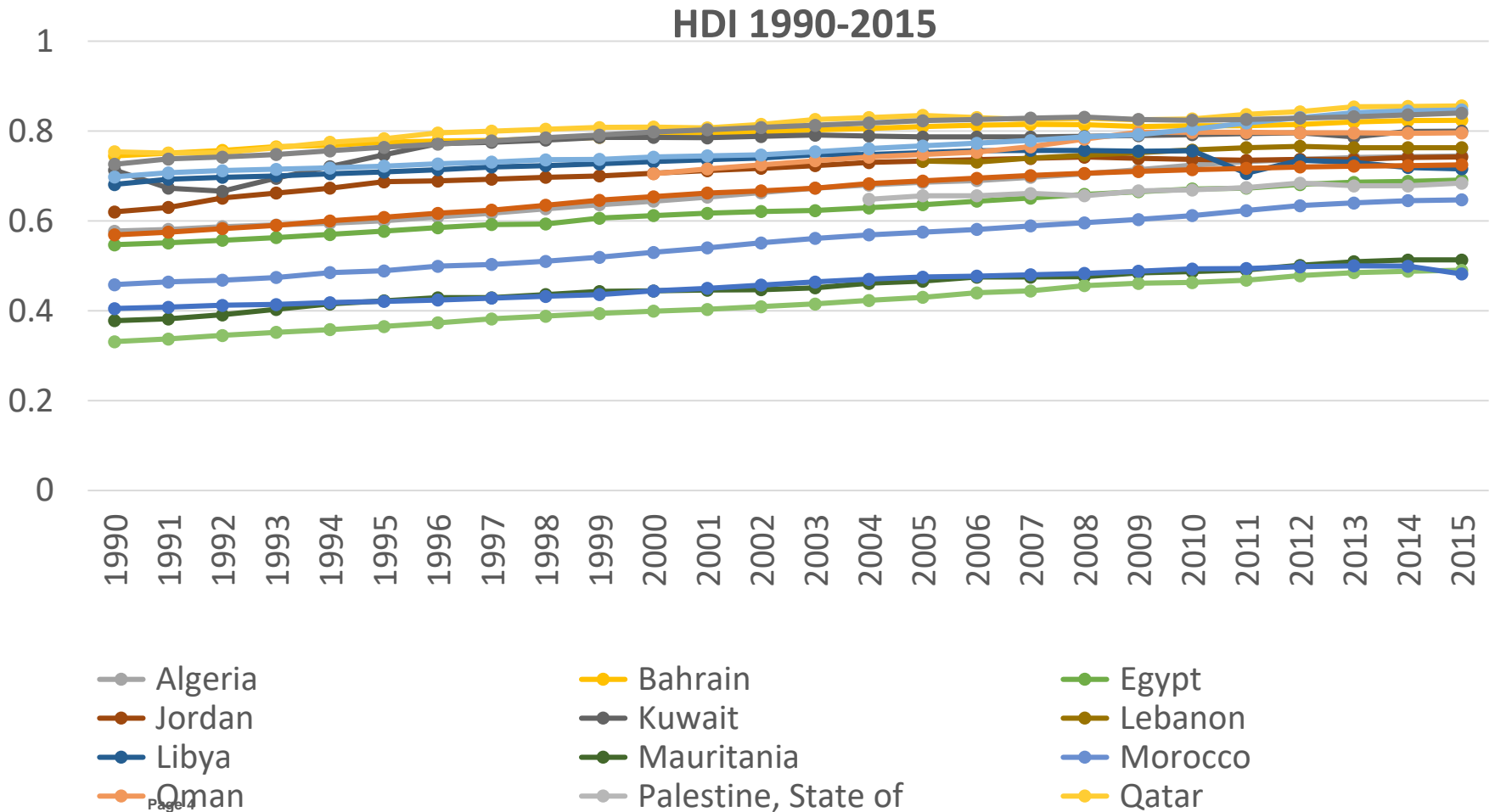
*The region was doing fine- at least until these unruly youth took to the streets.*

# Examples of arguments to support conventional wisdom

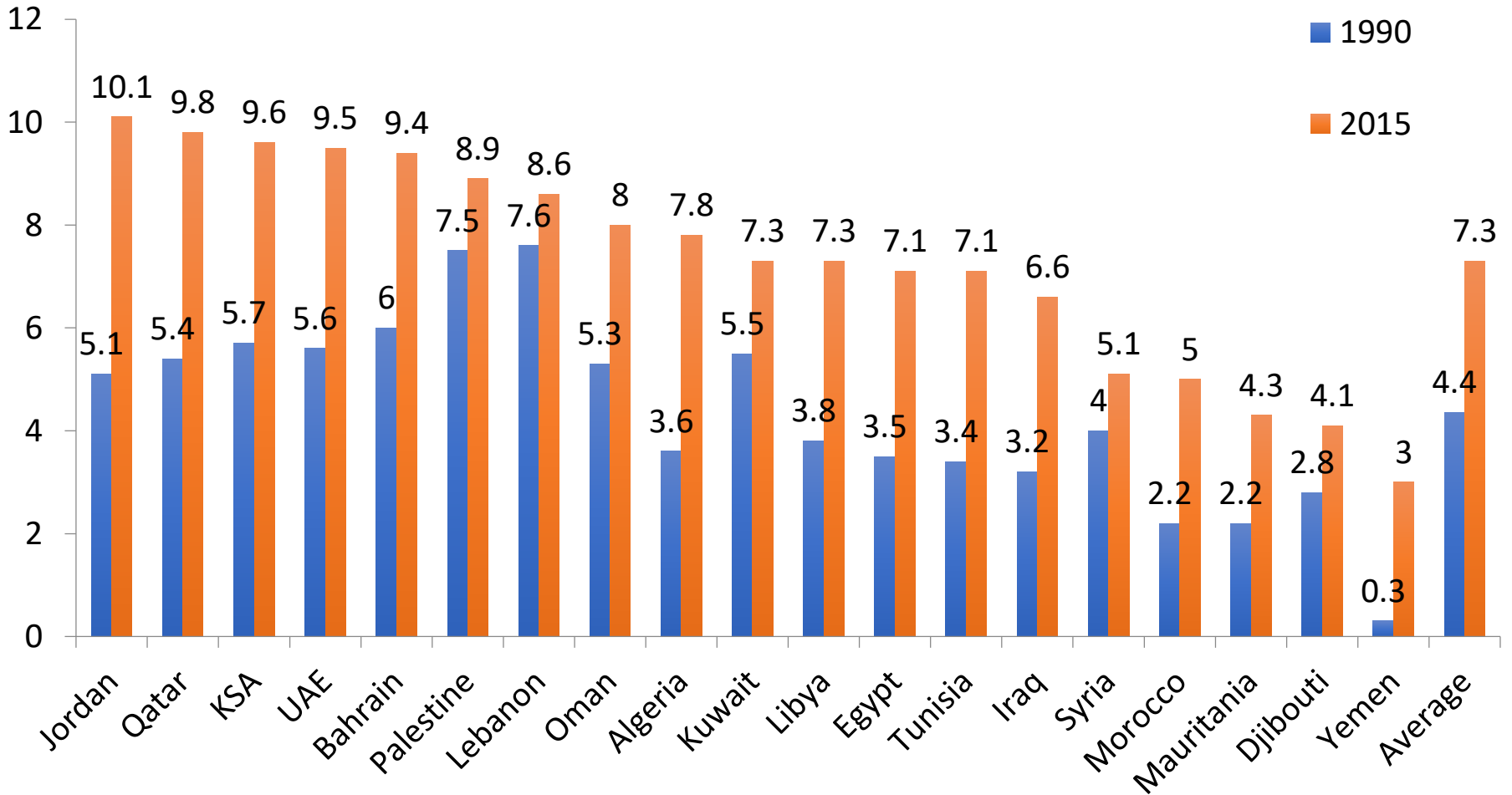
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1. Growth was decent for most countries (4-5% in 2000s)
2. Fiscal and monetary indicators were stable and outlook positive (IMF/WB regional outlook, 2010)
3. Employment growth was fastest in the world and unemployment declined significantly from 1990-2010.
4. Extreme poverty was low (MPI and HC below 1.9\$) and declining from 1990 to 2013
5. Inequality low to medium (0.33 Gini) and declining slightly from 1990.

# The region has scored major gains in Human Development



# More importantly, most of the human development progress was driven by gains in education in ALL countries



**If we take 1970 as a base, then the region is actually a global leader on human development progress**

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## HDI (2010)

Five Arab countries (Oman, Saudi Arabia, Tunisia, Algeria and Morocco) were among the ten 'top movers' globally - countries that have seen the greatest improvements in HDI since 1970.

# A Second Narrative

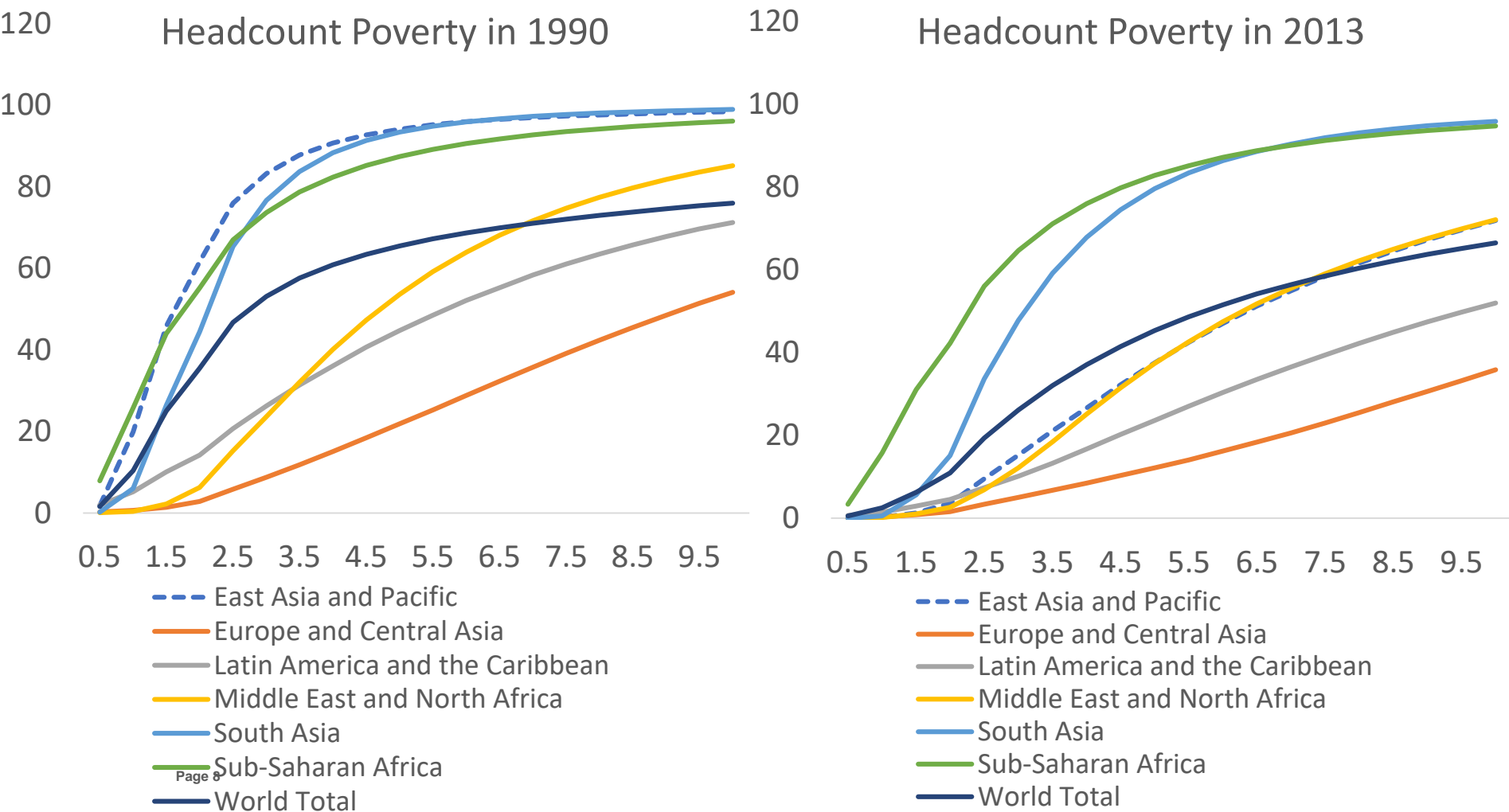
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*There is a disconnect between these empirical results and the more visible day to day reality.*

*The protests in 2010 were not because of abject poverty or lack of education and health services, but because of the lack of economic opportunities, social inequalities and governance deficits, which the GDP, Gini, MPI/P0 and HDI don't capture.*

# Money metric poverty rates in 1990 and 2013 are low if we use the 1.9 line but not at the 4 dollar a day line

## The region is poorer than global average at higher than 7 dollars a day

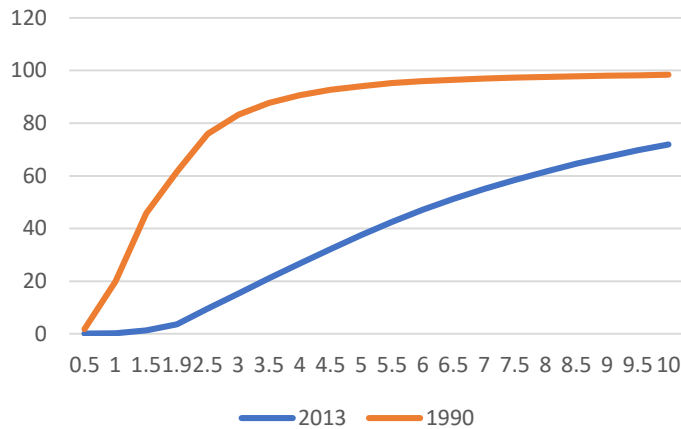




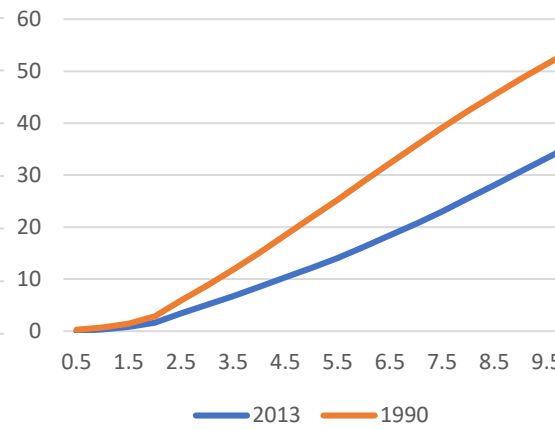
# Progress in reducing poverty varies between regions and also depends on choice of poverty line –

## Little progress in Arab countries relatively to other regions (except in SSA where it is lowest)

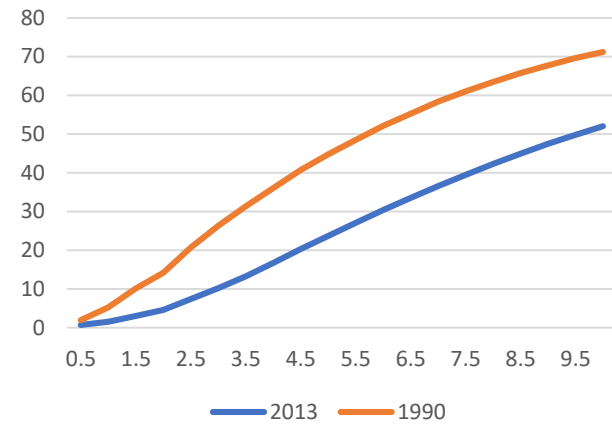
East Asia and Pacific



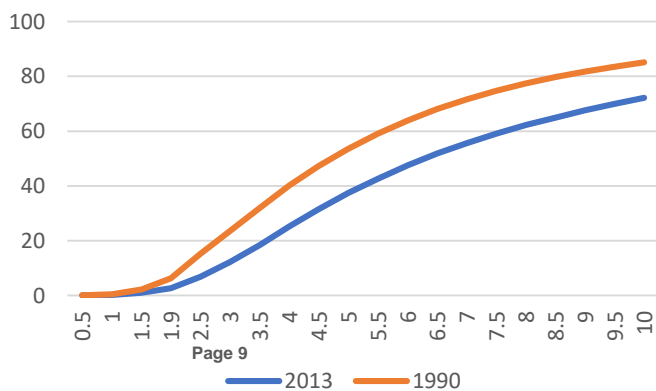
Europe and Central Asia



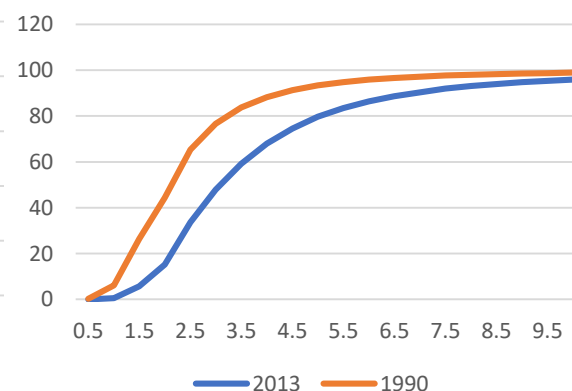
Latin America and the Caribbean



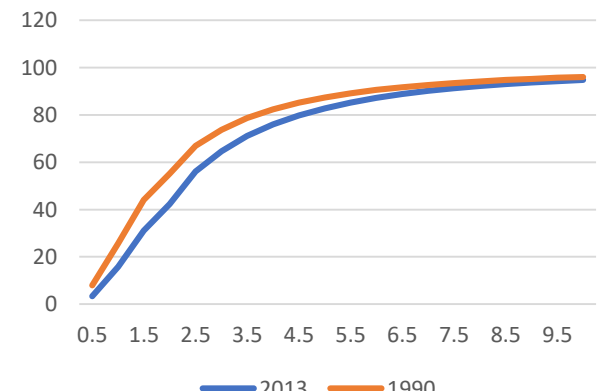
Middle East and North Africa



South Asia



Sub-Saharan Africa



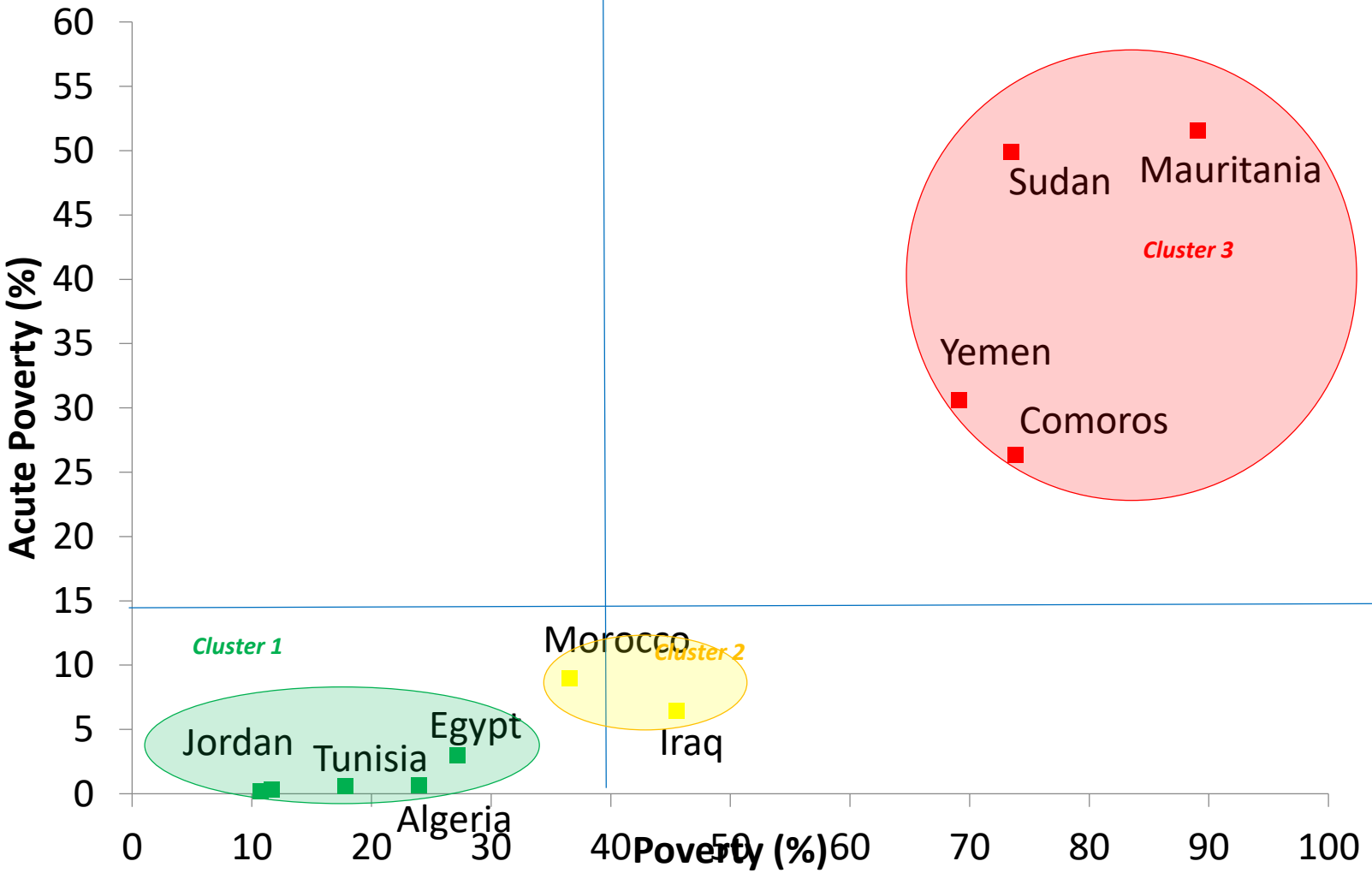
Both Poverty rates and progress in reducing poverty vary between regions and also depend on choice of poverty line

This is especially true for Arab Countries where vulnerability to extreme poverty is the highest

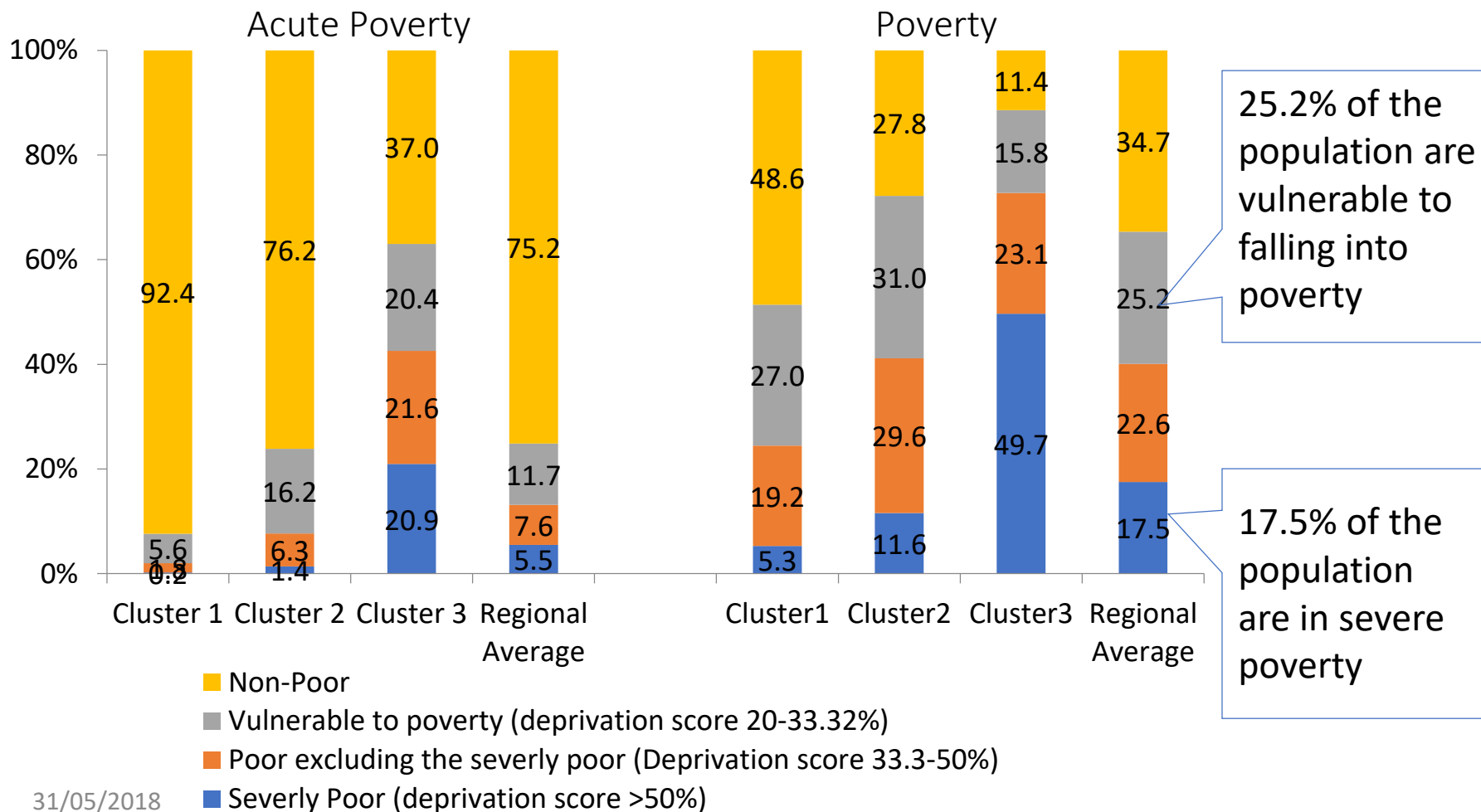
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Region	From 1.9 to 3.5	From 1.9 to 5.5
East Asia and Pacific	5.8	11.7
Europe and Central Asia	4.2	8.8
Latin America and the Caribbean	2.9	6.0
<b>Middle East and North Africa</b>	<b>6.9</b>	<b>16.0</b>
South Asia	3.9	5.5
Sub-Saharan Africa	1.7	2.0
World Total	2.9	4.4

# Household multidimensional poverty affects 4 in 10 Households



# Vulnerability to MP is also high and severity is high in LDCs



# Income Inequality is higher than Gini suggests

GINI Index for 12 Arab countries;  
1997-2015. Source: WDI Database,  
2017.

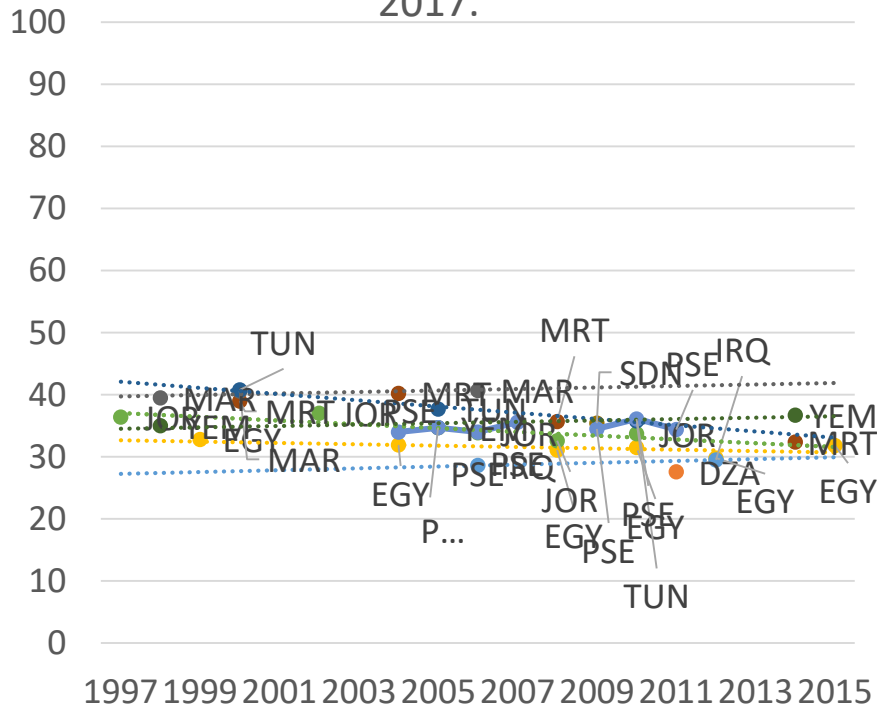
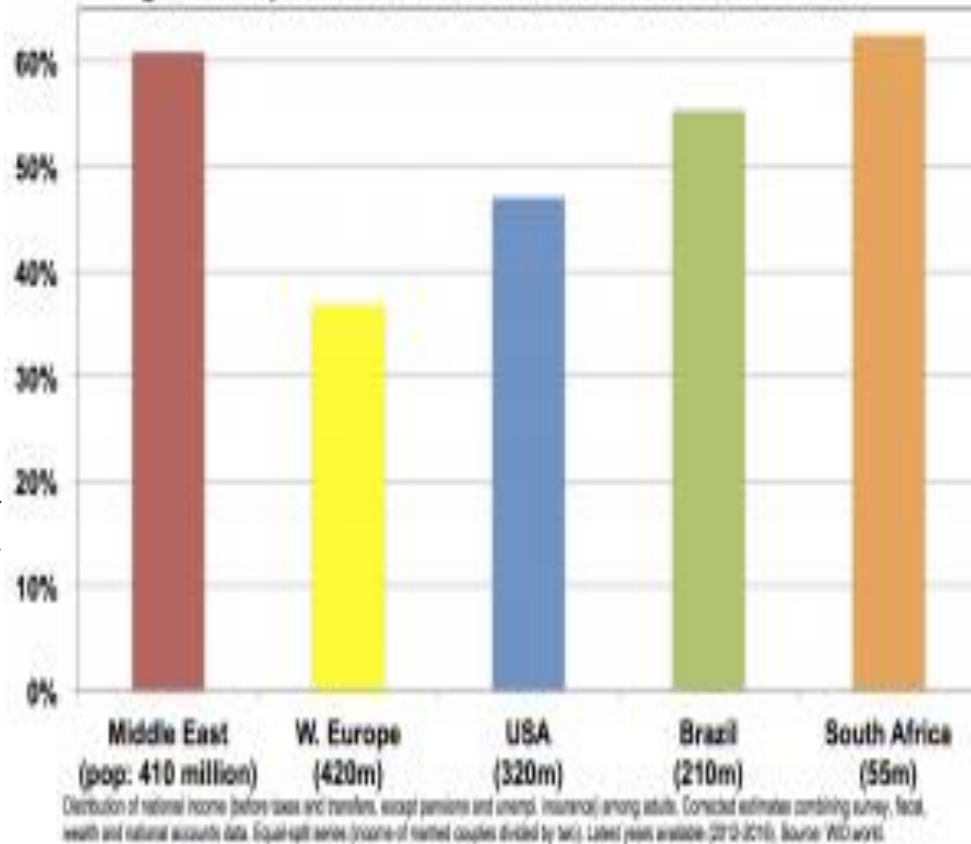
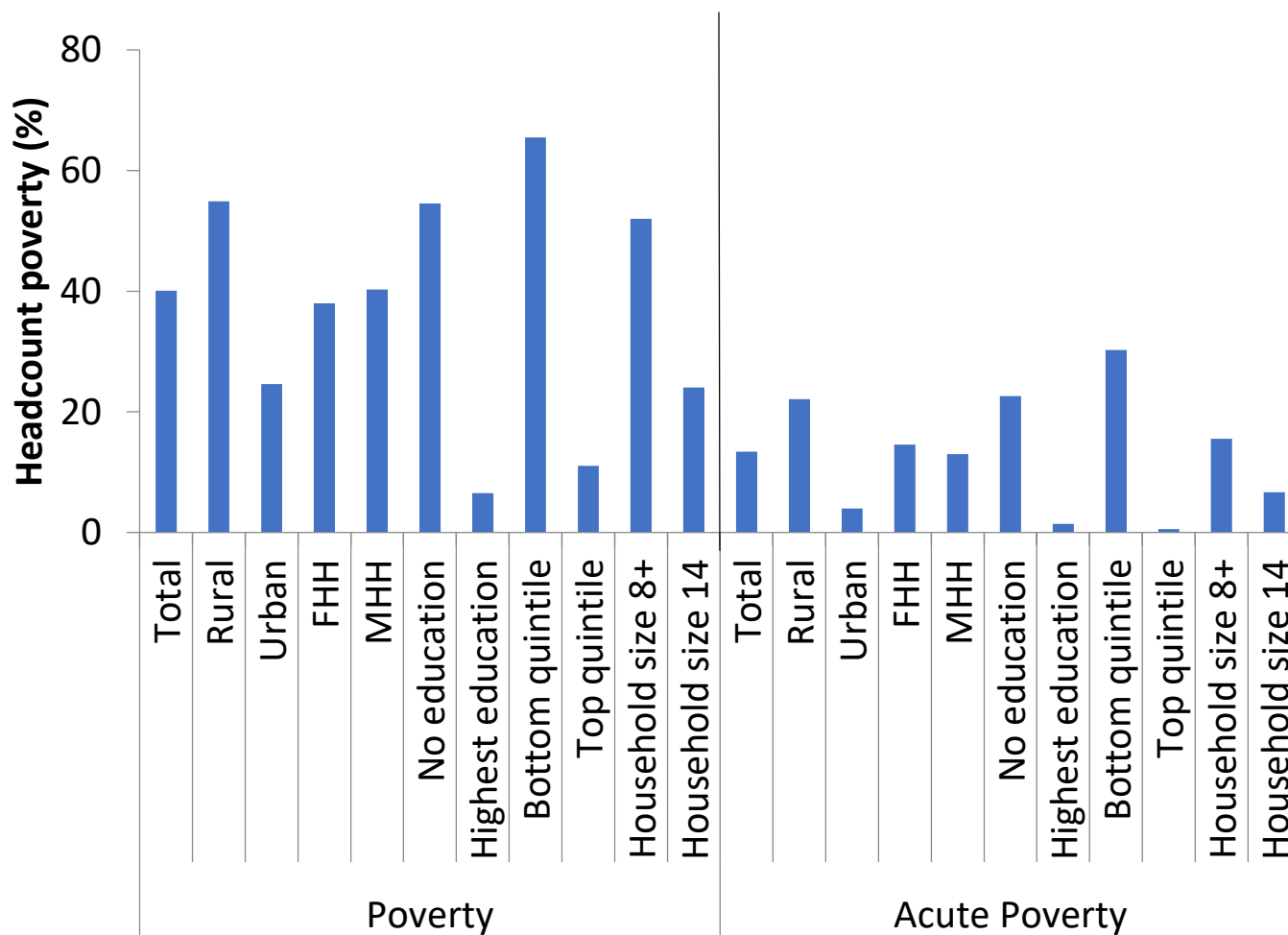


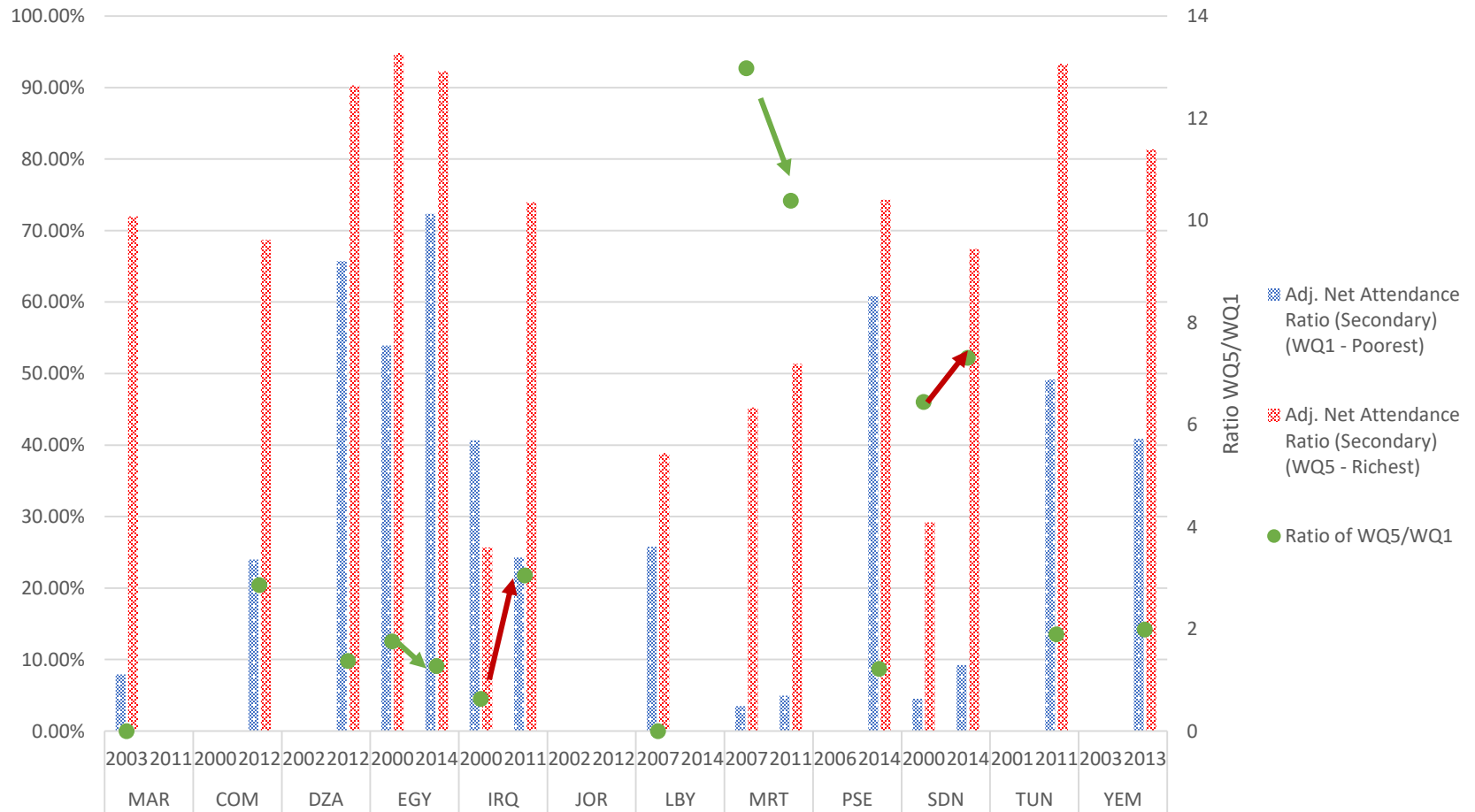
Figure 5b. Top 10% income share: Middle East vs other countries



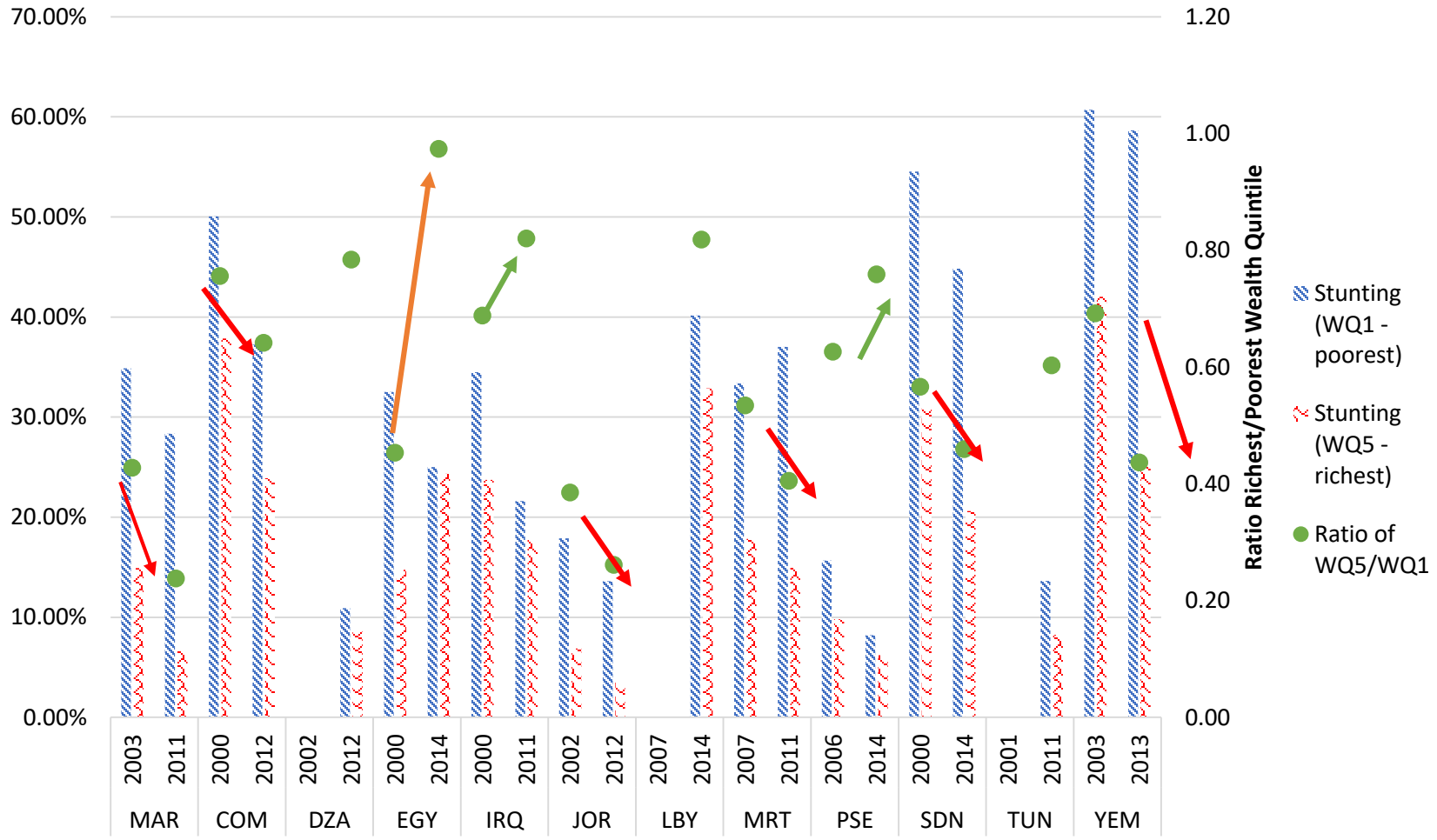
# Significant inequalities in non-money metric deprivation by region and education level



# Despite progress in education, enormous gaps remain between rich and poor in many countries

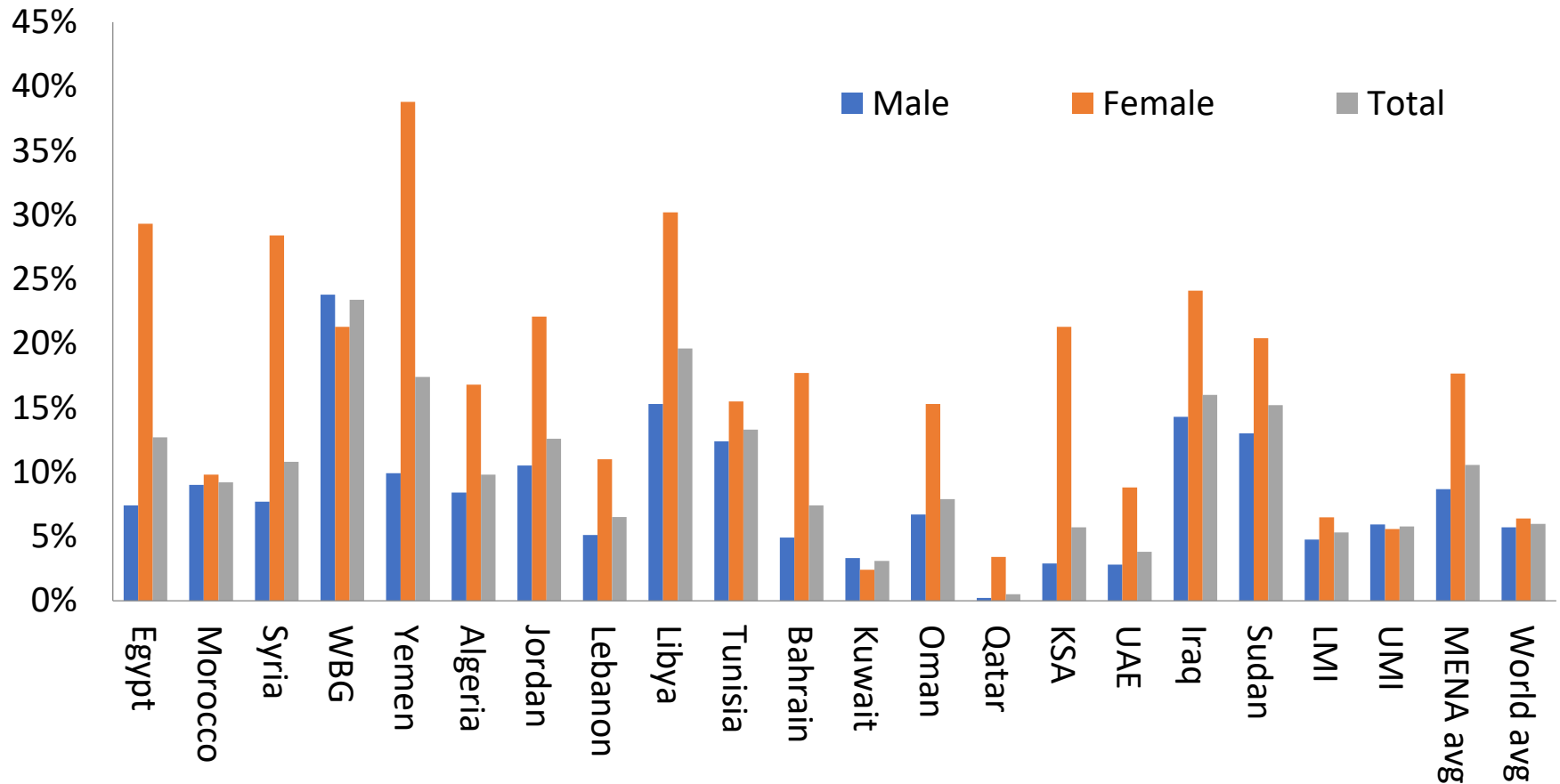


# Uneven progress in between the poorest and richest quintiles can also lead to increase in inequality such as in Stunting (Height-for-age)

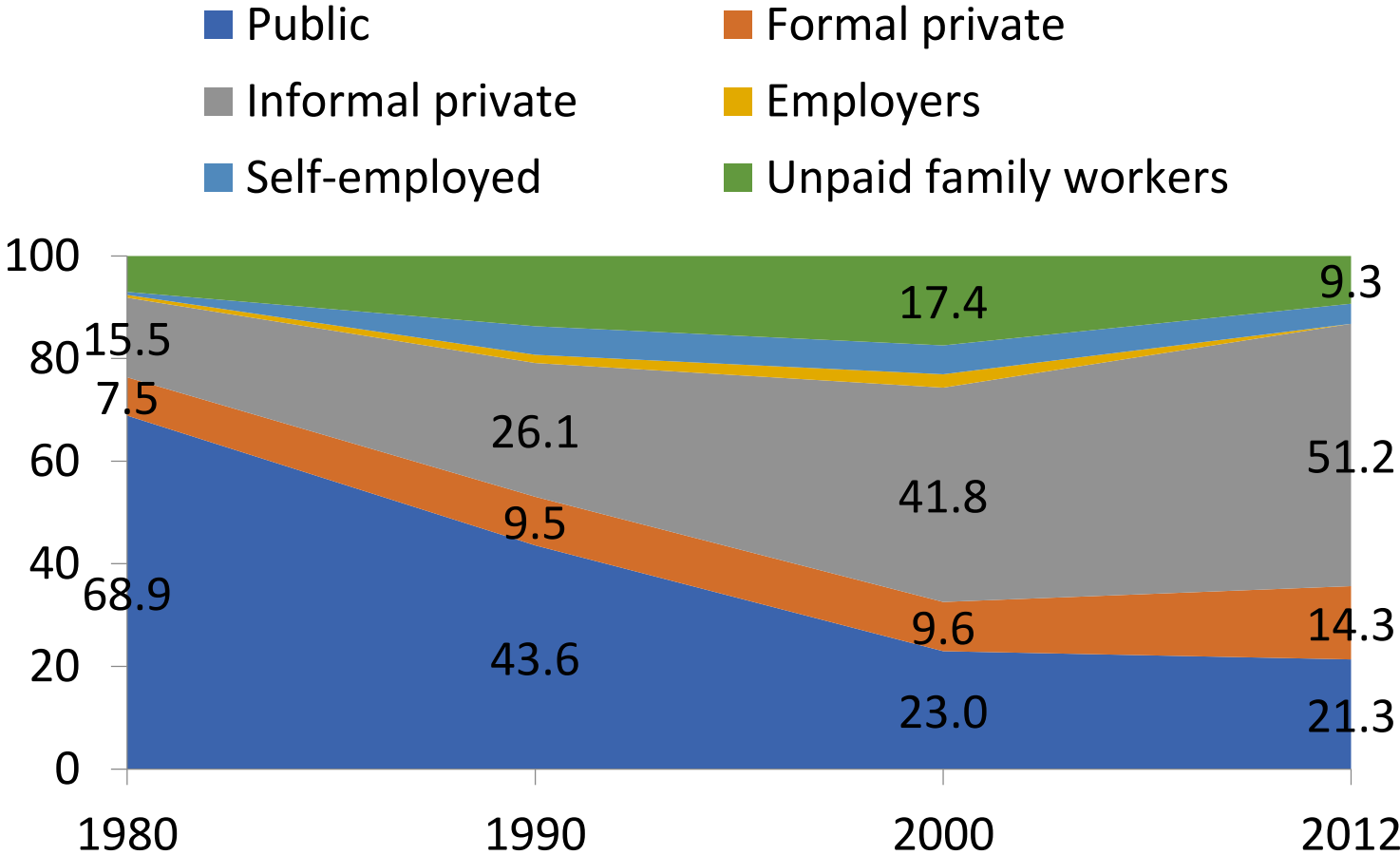




# Despite rapid employment creation, unemployment is still high (double world average) especially for females and youth (lowest participation WW)

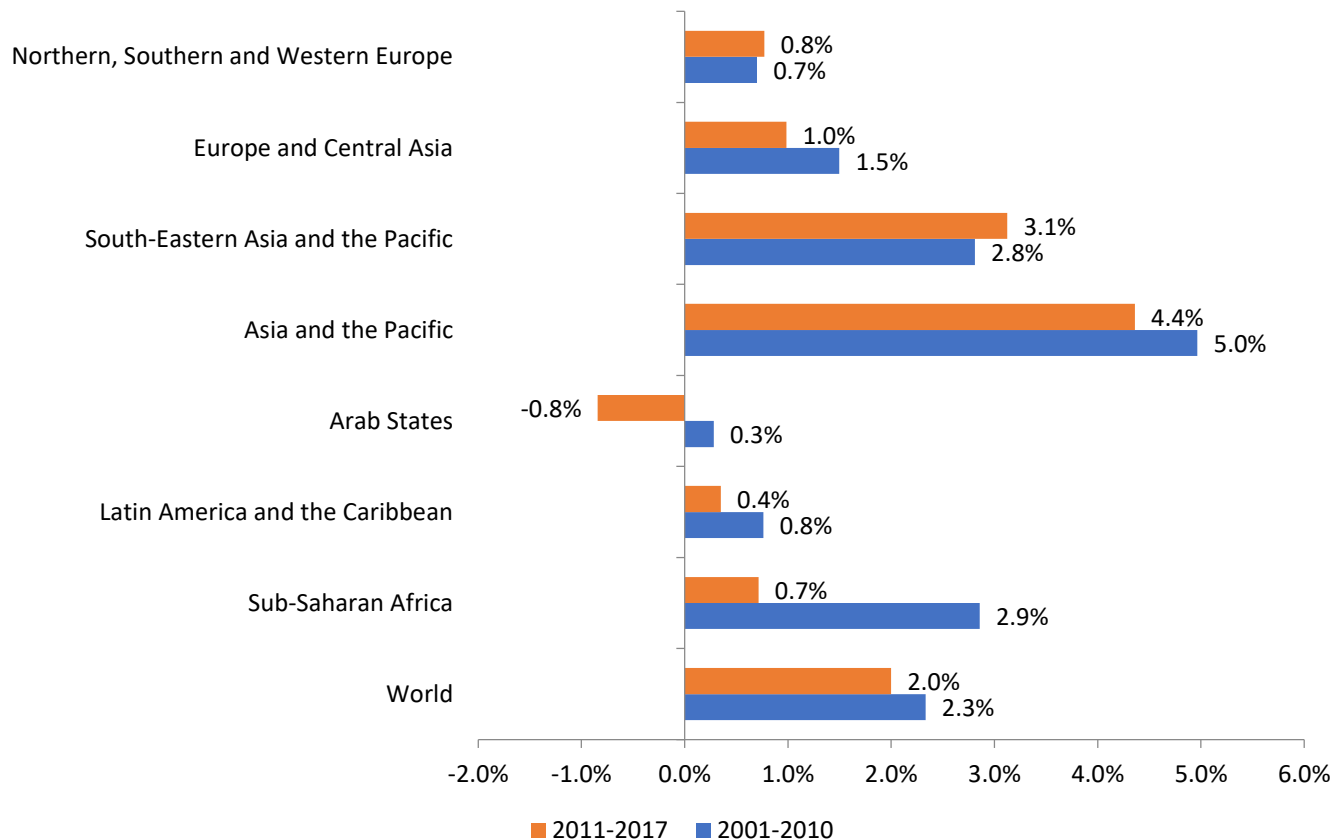


# Employment mainly occurred in the informal sector



# Labor Productivity is the lowest world wide and has even become negative during 2011-2017

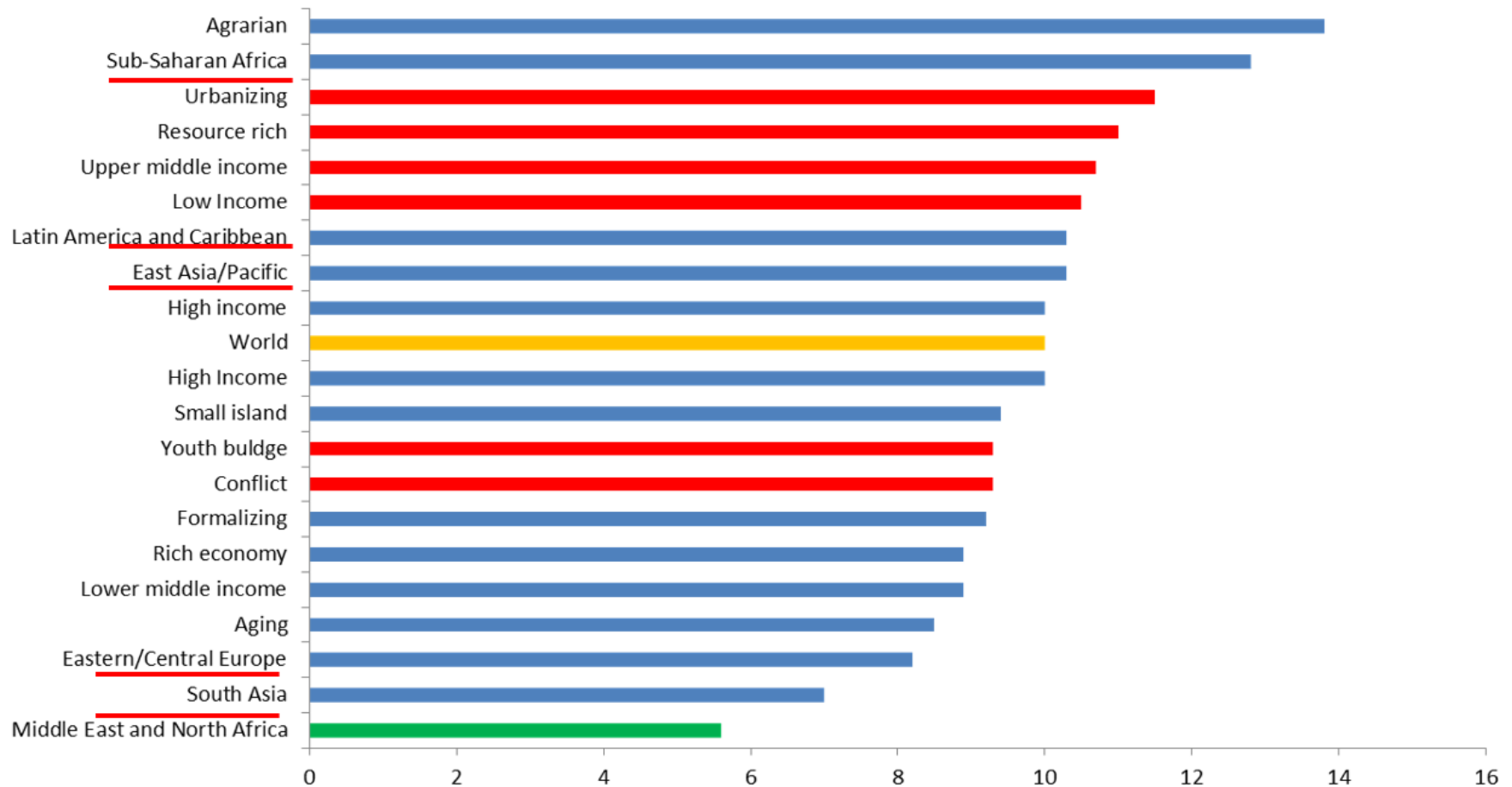
In 2011 PPPs



Source: ILO estimates and projections

# As a result, Arab Countries have lowest return to schooling

***Almost half of the average for 120 countries***

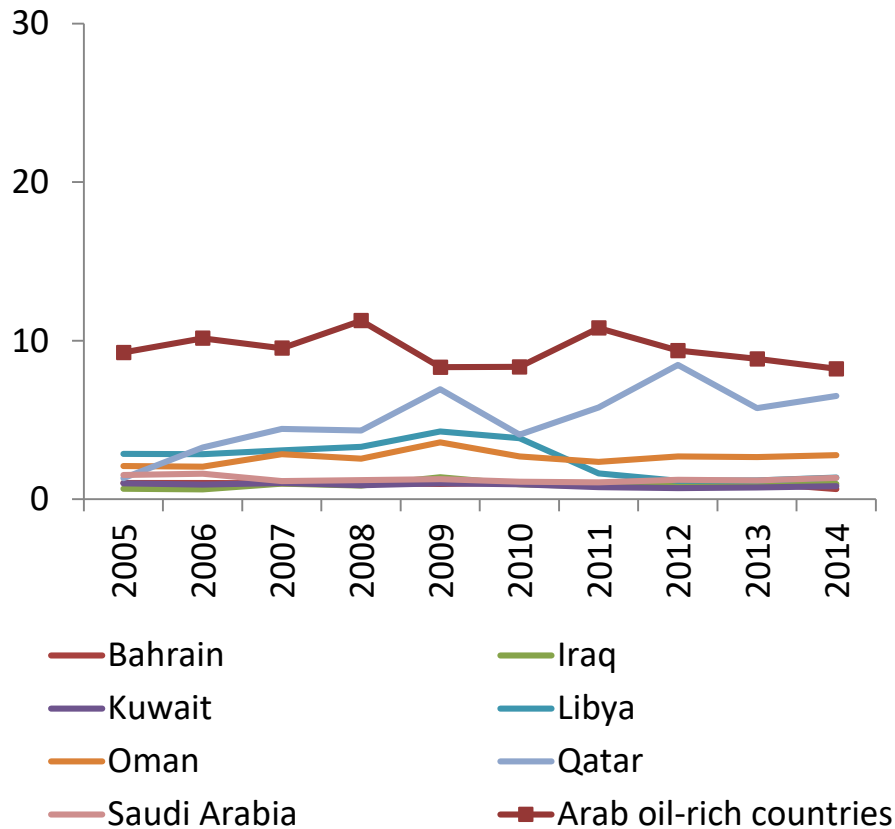


Source: Montenegro and Patrinos, 2013

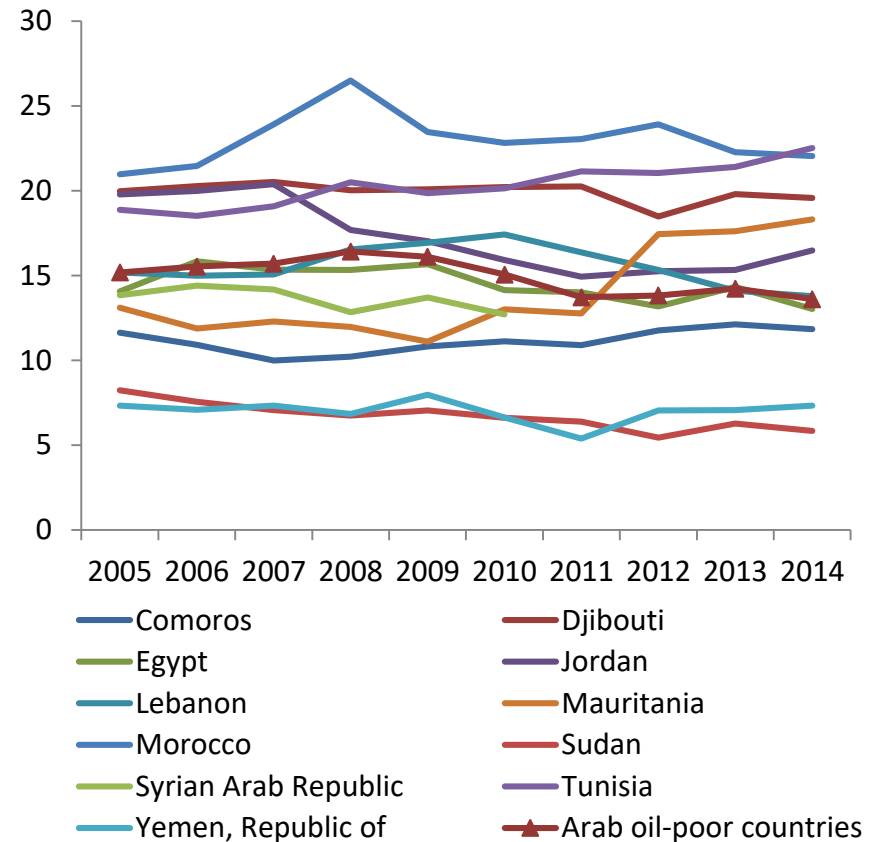
# More importantly State is fiscally constrained by the rentier state political economy:

## Low tax to GDP ratio in most Arab countries

Tax revenue (% of GDP) in oil-rich countries



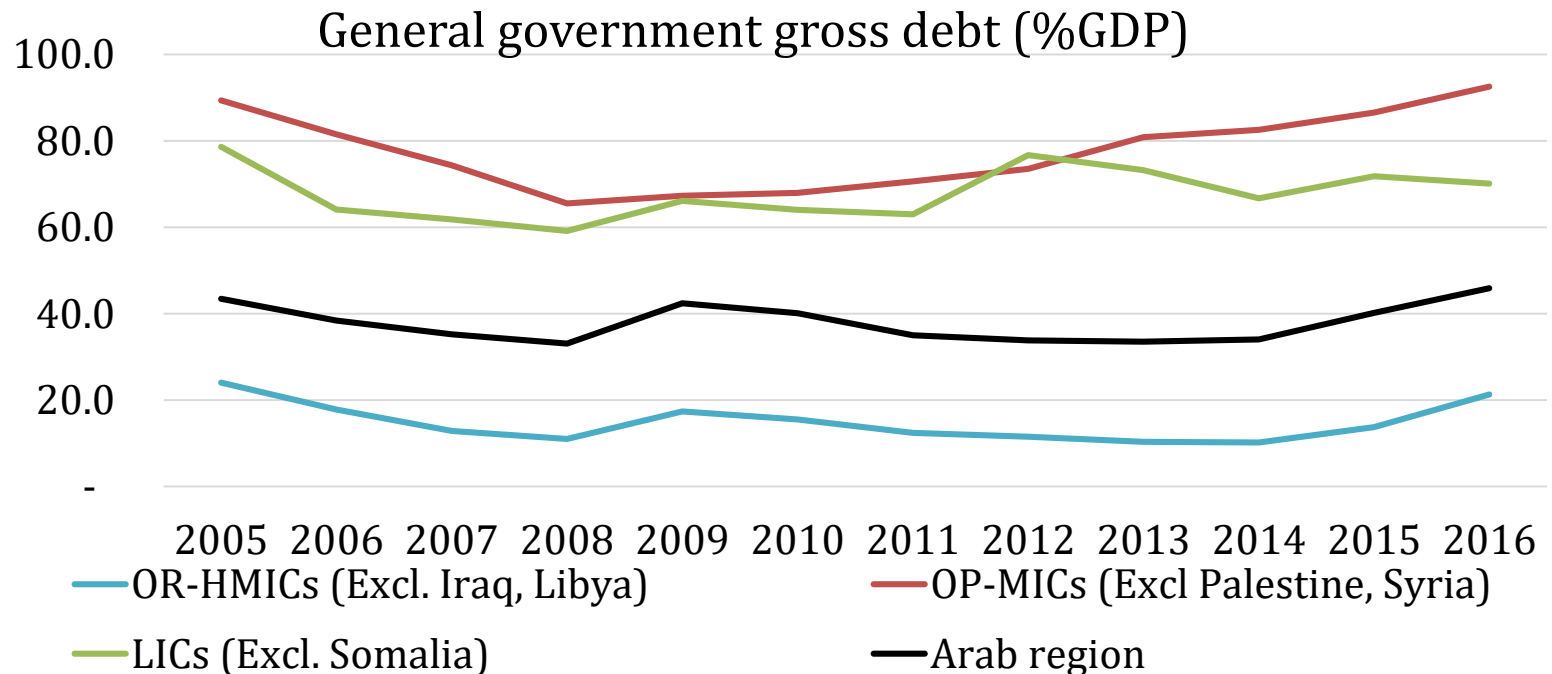
Tax revenue (% of GDP) in oil-poor countries



Source: "Rethinking Fiscal Policy in Arab Countries"]

# The low taxation/representation equation is increasingly untenable:

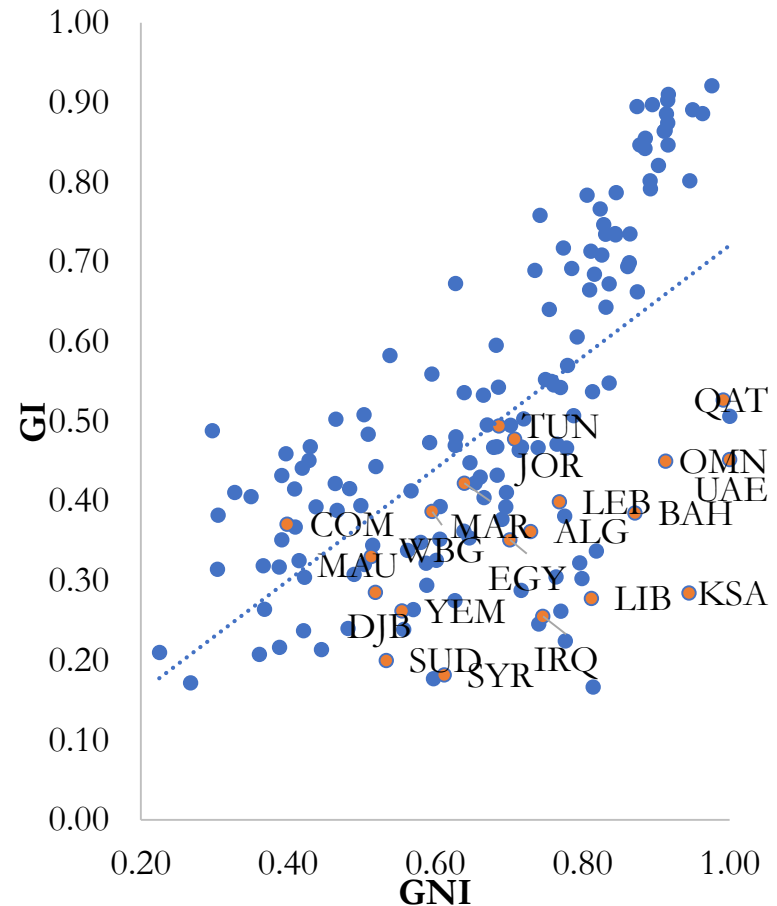
## Rising debt and debt servicing payments—Represent a major concern



Source: Sarangi 2017 [Background paper for the forthcoming ESCWA Report on “Rethinking Fiscal Policy in Arab Countries”]

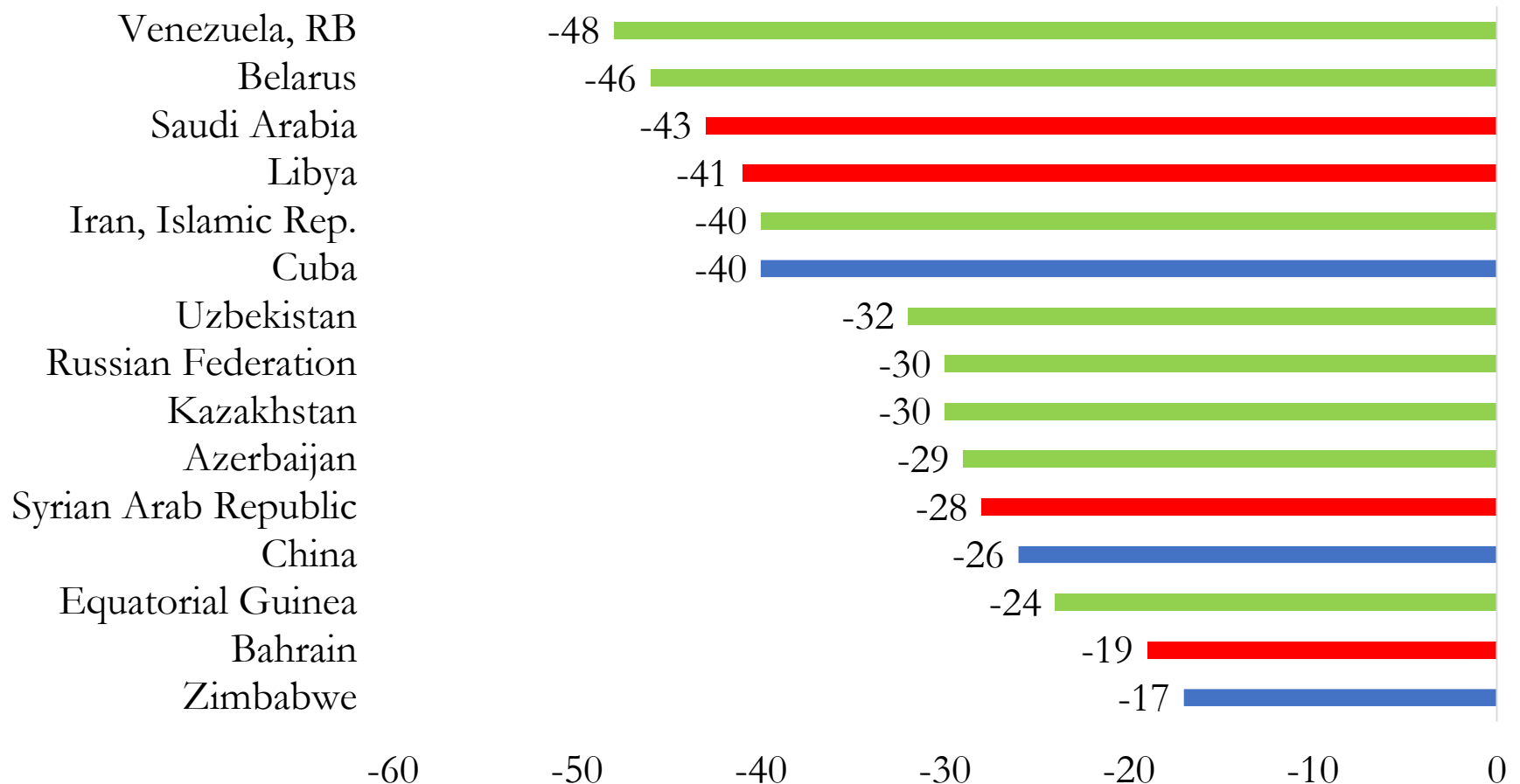
# The big debate is not only on fiscal governance but on two other crucial aspects of governance such as voice and accountability and rule of law (and their nexus with conflict and development)

Country	GNI	EDUC	LE	GOV	NIHDI	HDI	GHDI
Qatar	1.00	0.69	0.90	0.48	0.79	0.85	0.74
UAE	1.00	0.67	0.88	0.43	0.77	0.84	0.71
Kuwait	1.00	0.65	0.84	0.46	0.74	0.81	0.71
Oman	0.91	0.60	0.87	0.43	0.73	0.78	0.67
Bahrain	0.87	0.71	0.87	0.37	0.79	0.82	0.67
Jordan	0.71	0.70	0.83	0.44	0.76	0.75	0.65
Lebanon	0.77	0.63	0.93	0.38	0.76	0.77	0.64
Tunisia	0.70	0.62	0.83	0.47	0.72	0.71	0.64
Saudi Arabia	0.94	0.72	0.86	0.27	0.79	0.84	0.63
Algeria	0.73	0.64	0.78	0.34	0.71	0.72	0.60
West Bank and Gaza	0.60	0.66	0.82	0.37	0.74	0.69	0.59
<b>Average</b>	<b>0.72</b>	<b>0.56</b>	<b>0.79</b>	<b>0.35</b>	<b>0.66</b>	<b>0.68</b>	<b>0.57</b>
Egypt	0.70	0.57	0.79	0.33	0.67	0.68	0.57
Morocco	0.64	0.47	0.78	0.40	0.61	0.62	0.55
Iraq	0.75	0.47	0.76	0.24	0.60	0.64	0.50
Syrian Arab Republic	0.61	0.55	0.84	0.17	0.68	0.66	0.47
Comoros	0.41	0.45	0.63	0.35	0.53	0.49	0.45
Mauritania	0.51	0.35	0.64	0.31	0.47	0.49	0.44
Yemen	0.56	0.34	0.66	0.25	0.47	0.50	0.42
Djibouti	0.52	0.30	0.64	0.27	0.44	0.47	0.41
Sudan	0.53	0.31	0.65	0.19	0.44	0.47	0.38



Source: K. Abu-Ismaïl, A. Kuncic and N. Sarangi (2016). Governance-adjusted Human Development Index: The case for a broader index and its implications for Arab States. ESCWA Working Paper. E/ESCWA/EDID/2016/WP3.

# One thing is for sure... The rosy global picture changes when governance is included in the global HDI





# Conclusion: pre-analytical vision matters

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(1) Development model was working- look at health, education, GNI, Gini, 1.25\$ so liberal economic model delivered on growth and poverty reduction.

It just needed some fine tuning and returns on education and growth can be improved by better doing business indicators, less state intervention (smaller public sectors, subsidies and social transfers) and better education quality. (IMF-WB-Government reports)

(2) Arab development model was fundamentally broken- because of the underlying political economy model and its outcomes and there are serious fiscal policy constraints.

What is needed are deeper economic governance reforms to create fiscal space for a stronger poverty-growth-employment nexus with structural transformation as a core policy objective.

## *Examples of how ESCWA is leading this rethinking of socio-economic policies*

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- Social Protection and Services to promote inclusion and human capital development (Arab Poverty Report, ASDR, Migration Report, Food Security Report)
- Economic Structural Transformation towards toward high value added (Middle Class Report, Rethinking Fiscal Policies in Arab States)
- Social justice and equality (on going work with ERF and SDR)

# THANK YOU

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