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

**POVERTY IN WESTERN ASIA: SOME SOCIAL CONSIDERATIONS**

## Preface

Since their adoption by the United Nations in 2000, the Millennium Declaration and the Millennium Development Goals have placed poverty reduction at the centre of the United Nations international development agenda. Poverty reduction is also a social development priority in Western Asia, despite the clear disparity in poverty incidence in the countries which form the Economic and Social Commission for Western Asia (ESCWA).

This paper, the third in the SDD Working Paper series, examines the main poverty trends and challenges in the ESCWA region against the backdrop of global trends. Bearing in mind data limitations, it shows that the region has experienced a mixed record of progress in the fight against poverty. This calls for corrective measures to accelerate poverty reduction in the countries and subregions that are currently lagging behind. The paper emphasizes the urgent need for reliable regional data on poverty and inequality, and proposes that poverty measurement and analysis move into multidimensional approaches beyond mere income poverty. The paper concludes by identifying policy options in three key social areas: social inclusion, social protection and employment.

The research presented in this working paper has been conducted by Mr. Frederico Neto, Director of the Social Development Division at ESCWA. A preliminary version was presented to the Expert Group Meeting on Poverty Eradication held at the United Nations Economic Commission for Africa (Addis Ababa, 15-17 September 2010). The author has benefitted from comments made by a number of participants in that meeting, as well as those made by Mr. Marwan Khawaja, Ms. Mona Khechen, Ms. Gisela Nauk and Ms. Maha Yahya on earlier drafts.



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## I. INTRODUCTION: GLOBAL APPROACHES TO POVERTY REDUCTION

In the second half of the twentieth century, global and national approaches to poverty reduction oscillated between trickle-down mechanisms and redistributive policies.<sup>1</sup> Industrial development strategies post-World War II assumed that accelerated growth would trickle down to lower income groups through rising real wages. Those development strategies were sometimes accompanied by the provision of subsidies for staple goods and certain social services, although urban workers in the formal sector tended to gain more from such social policies than poorer segments employed in the urban informal sector or the agricultural sector.

The disappointing poverty reduction outcomes of trickle-down policies led to the emergence in the 1970s of a “redistribution-with-growth” paradigm, designed to tackle the “inadequate responses of policymakers to the growing problems of relative poverty and underemployment, and [...] to provide them with analytical tools that are relevant to these problems”.<sup>2</sup> This new paradigm focused on policies to improve income distribution together with economic growth, as opposed to strategies based on a trade-off between economic growth and distributional objectives.

From a social development perspective, this ground-breaking approach can be praised for its underlying emphasis on distributive justice, with a focus on channelling the increments of growth into social and economic investment, which would benefit poorer social groups. It also emphasized the central role of the State in promoting distributive justice, even though there is a strong argument against reducing social justice to distribution alone.<sup>3</sup> Although it can be argued that the International Labour Organization (ILO) global strategy for meeting basic needs – formulated in the mid-1970s – was a concrete example of a redistributive approach,<sup>4</sup> “redistribution-with-growth” strategies were rarely incorporated into national development policy, especially after the debt crisis severely affected a number of developing countries in the early 1980s.

The debt crisis led to the emergence of the so-called “Washington Consensus”, a set of neo-liberal reform policies promoted by the International Monetary Fund (IMF) and the World Bank – among other leading multilateral and bilateral development institutions – with a focus on fiscal discipline, reduction of the role of the State, financial and trade liberalization, privatization and economic deregulation. In this context, social subsidies and transfers were seen as financially unsustainable, market-distorting and leading to the inefficient delivery of social services. Privatization of such services and utility price rises would thus promote more efficient delivery, and reduce fiscal deficits and public debt.

The Washington Consensus guided structural adjustment programmes introduced in many developing countries. There is plenty of evidence to show, however, that reforms promoted by structural adjustment programmes did not produce the desired economic growth and social progress, including poverty reduction.<sup>5</sup> As a result, such programmes also failed to address key socio-economic issues related to poverty reduction, such as inequality and redistribution. By the mid-1990s, there was a growing international recognition that poverty reduction strategies should be framed within a number of dimensions, both economic and non-economic, other than lack of adequate income, including different forms of inequality and social exclusion.<sup>6</sup>

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<sup>1</sup> For a comprehensive review of these policies, see United Nations, 2010a.

<sup>2</sup> Chenery et al., 1974. inadequate responses of policymakers to the growing problems of relative poverty and underemployment, and a desire to provide them with analytical tools that are relevant to these problems.

<sup>3</sup> See, in particular, Young, 1990, who finds two problems with the distributive paradigm: (a) it tends to equate social justice with the allocation of material goods and (b) it tends to ignore the institutional context in which redistribution takes place and which can distort the implementation of redistributive policies.

<sup>4</sup> Jolly, 2009.

<sup>5</sup> United Nations, 2010a.

<sup>6</sup> See, for example, Sen, 2000.

This multidimensional nature of poverty was placed at the centre of the international social development agenda by the Programme of Action of the World Summit for Social Development (Copenhagen, 6-12 March 1995). The Programme of Action identified the key manifestations of poverty as follows: (a) lack of adequate income and productive resources; (b) hunger and malnutrition; (c) ill health; (d) lack of access to education and other basic services; (e) homelessness and inadequate housing; (f) unsafe environments; (g) social discrimination and exclusion; and (h) lack of participation. The Programme of Action also paid special attention to the widespread existence of gender inequality.

It eventually became clear that an “augmented Washington Consensus” was required, particularly after the devastating social impact of the 1997 Asian financial crisis.<sup>7</sup> This expanded Washington Consensus included some social safety nets and targeted poverty reduction strategies. The latter were probably best reflected in the introduction in the late 1990s of poverty reduction strategy papers (PRSPs) as the main social component of an international debt-relief strategy for poor developing countries. The PRSP approach was, however, undermined by the dominance of orthodox economic stabilization strategies, strict fiscal discipline and financial liberalization which, in turn, worked against poverty reduction and productive employment generation. According to a recent United Nations report, “PRSPs turned out to be more a set of compensatory social policies constrained by external pressures related to fiscal consolidation than examples of coherence over the broader range of development policies”.<sup>8</sup>

Social policy was thus pushed aside as a peripheral component in the national development strategies of heavily-indebted poor countries. In addition, this international approach to poverty reduction tended to ignore the multidimensional nature of poverty strongly advocated by the Programme of Action of the Copenhagen Social Summit. In 2000, five years after the Social Summit, the twenty-fourth Special session of the General Assembly discussed further initiatives for social development. The resolution adopted by representatives of United Nations Member States pledged to “eradicate poverty, promote full and productive employment, and foster social integration to achieve stable, safe and just societies for all”.<sup>9</sup> The Special session thus reiterated the three interrelated pillars of international strategies for social development: poverty reduction, employment generation and social integration.

The beginning of the new millennium also saw the adoption of the United Nations Millennium Declaration by the General Assembly in September 2000<sup>10</sup> and the subsequent elaboration of the Millennium Development Goals (MDGs). In the Declaration, world leaders committed to “spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected”.<sup>11</sup> The MDGs brought poverty reduction and social development back to the centre of the international development agenda. The eight Goals and their associated targets have helped to reclaim the international development initiative away from the Washington Consensus and into a new New York Consensus, based on development goals agreed by the international community at the United Nations General Assembly.

The main target of the first MDG is to halve the proportion of people living in extreme poverty between 1990 and 2015. Poverty reduction is now an explicit and central international development goal, as opposed to the indirect approaches contained in trickle-down policies. Furthermore, poverty reduction is accompanied in the MDG agenda by other broad social development goals and objectives, such as improved health and education, employment generation and gender balance. Bearing in mind that the MDG agenda does not identify any policies or strategies for achieving its poverty and other key targets, it can be argued that the international development pendulum has swung back towards redistribution.

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<sup>7</sup> See Rodrik, 2006. In this study, Rodrik adds ten new items to the original ten components of the Washington Consensus.

<sup>8</sup> United Nations, 2010a.

<sup>9</sup> United Nations General Assembly resolution 24/2 concerning Further initiatives for social development.

<sup>10</sup> United Nations General Assembly resolution 55/2.

<sup>11</sup> Ibid.

## II. CURRENT POVERTY TRENDS IN WESTERN ASIA

According to the 2010 Millennium Development Goals report,<sup>12</sup> the number of people living in extreme poverty in developing country regions dropped from 1.8 billion in 1990 to 1.4 billion in 2005. The proportion of people living below a new international poverty line of US\$1.25 per person per day – in 2005 purchasing power parities<sup>13</sup> (PPPs) – dropped from 46 per cent to 27 per cent during the same period. Despite some shortcomings, this international poverty line has become the benchmark for monitoring global poverty trends, as it generally defines an income level that is needed in developing countries to purchase basic necessities and ensure the consumption of a minimum number of calories.<sup>14</sup>

The global financial and economic crisis which began in 2008 is estimated to have left an additional 50 million in extreme poverty in 2009 and probably another 60 million in 2010, compared with a no-crisis scenario.<sup>15</sup> Nonetheless, the momentum of economic growth in developing countries in the medium term is expected to reduce the global poverty rate to as low as 15 per cent in 2015 (against the MDG target of 23 per cent). This indicates that the poverty target will be achieved at the global level, in terms of both incidence of poverty and total number of poor people.<sup>16</sup> It is estimated that some 920 million people will be living under the international poverty line in 2015, representing half the 1990 figure. However, as the following section will show, progress in implementation has been very uneven at the regional and national levels.

### A. REGIONAL AND NATIONAL TRENDS

As figure I illustrates, much of the progress is accounted for by the Eastern Asian region, notably China. Eastern Asia and South-Eastern Asia are the only developing country regions that have achieved the MDG poverty target to date. All the other regions have made insufficient progress and two – Central Asia and Western Asia<sup>17</sup> – actually recorded a considerable increase in the share of people living in extreme poverty over the period 1990-2005. The 2010 MDG report forecasts that three developing country regions (including Western Asia) are unlikely to achieve the target of halving extreme poverty by 2015. This would not only take away some of the gloss of achieving that target at the global level, but would also focus attention on the corrective measures required to accelerate progress in implementation in lagging regions and countries.

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<sup>12</sup> United Nations, 2010b.

<sup>13</sup> Purchasing power parities (PPPs) are internationally-comparable exchange rates made available by an International Comparison Program (ICP) supported by United Nations agencies. The initial MDG-1 threshold for extreme poverty was US\$1 per person per day, but this international poverty line was revised upwards to US\$1.25 in 2008 (in 2005 PPPs) by the World Bank when new data revealed that the cost of living in the developing world had been higher than previously estimated.

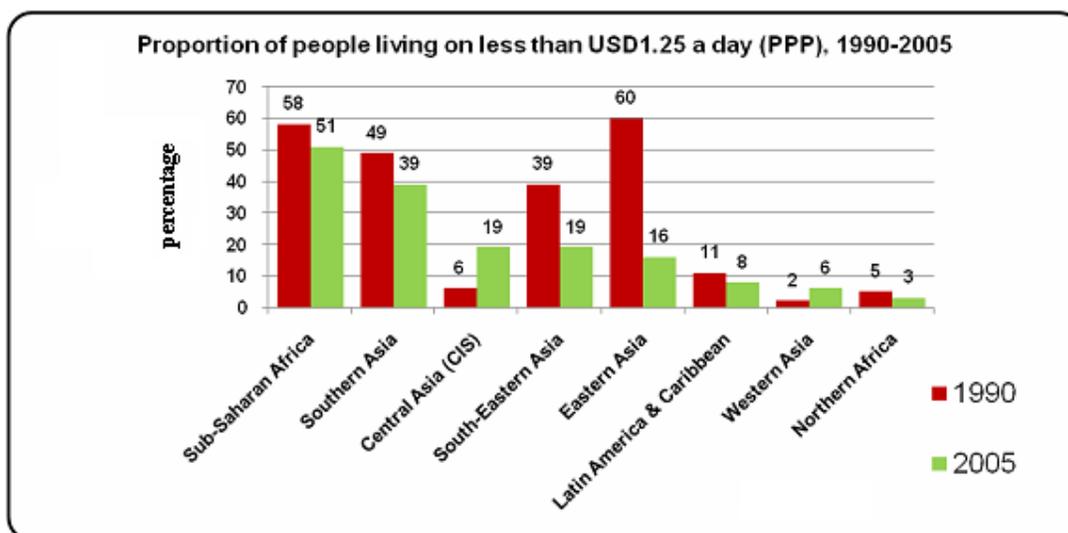
<sup>14</sup> Major shortcomings range from its inability to reflect multidimensional dimensions of poverty to the use of a common international income poverty threshold that may not be easily adapted to national poverty conditions in many countries. See, in particular, United Nations, 2009.

<sup>15</sup> United Nations, 2010b.

<sup>16</sup> Ibid.

<sup>17</sup> For the purposes of MDG data collection, there are a number of differences between the Western Asia region and the ESCWA region, including the fact that MDG data for two large ESCWA member countries (Egypt and the Sudan) are reported in two different African subregions.

**Figure I. Progress in achieving the MDG poverty target in developing country regions**



Source: ESCWA, based on data available in United Nations, 2010b.

As figure I also shows, the proportion of people in Western Asia living in extreme poverty tripled between 1990 and 2005. Due to fast population growth, the numbers of extreme poor in the region almost quadrupled – from 3 million to 11 million – over the same period. In addition, the 2010 MDG report also shows that the proportion of undernourished people in the region increased from 5 per cent in 1990-92 to 7 per cent in 2005-07, against the background of a drop from 20 per cent to 16 per cent in all developing regions during the same period. This indicator is used to monitor progress in achieving another key MDG-1 target – namely, to halve the proportion of people suffering from hunger between 1990 and 2015 – and is seen as another key dimension of poverty. In fact, food price shocks – such as the drastic rise in international food prices in 2007-08 – can be considered a major challenge to poverty reduction in many ESCWA member countries.<sup>18</sup>

However, among developing country regions, the Arab countries have the lowest ratio of undernourished people to the total population.<sup>19</sup> The relatively low level of malnutrition in the Arab region as a whole, in comparison with other developing country regions, is due to a number of factors, including the relatively high income levels of oil-producing countries, food purchasing power sustained by worker remittances and the food supply policies implemented by several governments in the region, including extensive food subsidy programmes.

Nonetheless, there are large disparities both among and within ESCWA member countries as some of them – as well as lower income segments of the population in many countries – tend to be highly vulnerable to food insecurity. Among ESCWA member countries, Yemen has the highest proportion of undernourished people (38 per cent of the total population in the mid-2000s), followed by the Sudan (26 per cent) and Palestine (16 per cent). But while this rate dropped in the Sudan during the 1990s and 2000s, it increased in both Yemen and Palestine (primarily as a result of conflict) during the same period.<sup>20</sup>

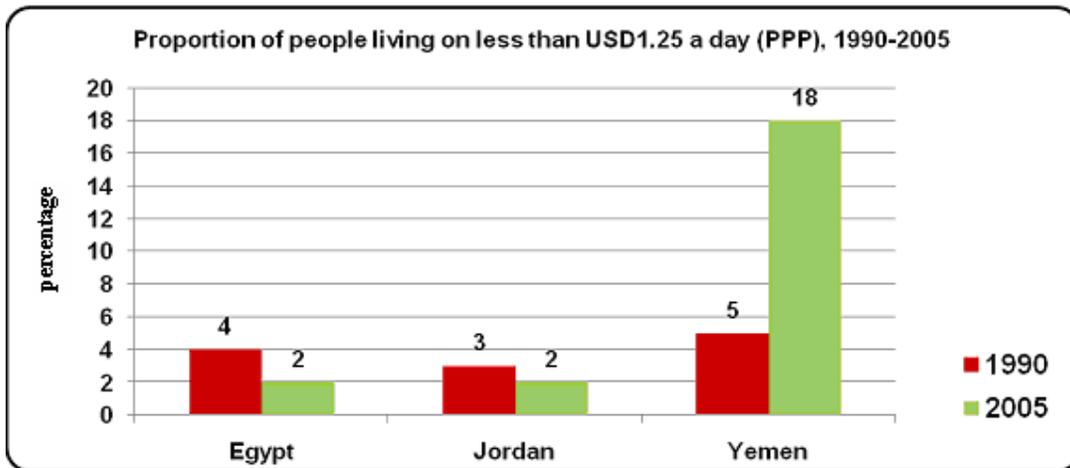
<sup>18</sup> See League of Arab States/ESCWA/UNDP, 2010. The main regional challenge in the short run is faced by the least developed countries, such as the Sudan and Yemen, which have been severely affected by rising food prices, as well as conflict and drought. In the medium- to long-run, if higher food prices are a permanent (as opposed to temporary) feature of the global economy, the main regional challenge is that countries with the majority of the poor are net food importers.

<sup>19</sup> UNDP, 2009.

<sup>20</sup> ESCWA, 2009a.

Similarly, the incidence of extreme poverty in Western Asia (and Northern Africa) is very low when compared with other developing country regions, including Eastern Asia. This can be partly explained by the irrelevance of the international poverty line to high-income Gulf countries. However, poverty levels and trends also differ considerably between ESCWA member countries, which range from high-income oil producers and more diversified middle income economies to least developed countries (the Sudan and Yemen) and countries in conflict or post-conflict, such as Iraq and Palestine. As figure II shows, while Egypt and Jordan have low (international) poverty rates, this measure of extreme poverty rose drastically to relatively high levels in Yemen between 1990 and 2005.

**Figure II. Progress in achieving the MDG poverty target in selected ESCWA member countries**

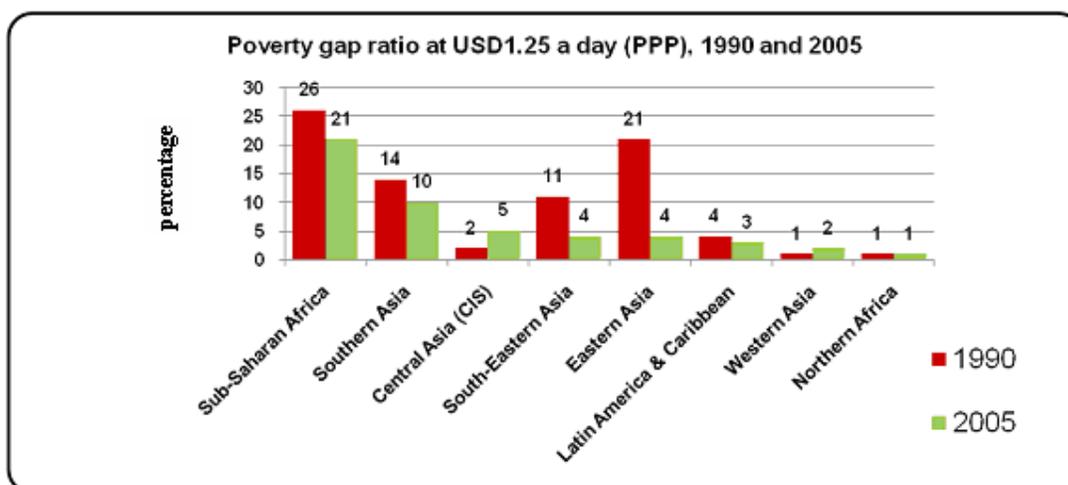


Source: ESCWA, based on World Bank data.<sup>21</sup>

To make matters worse, the international poverty line does not provide an accurate picture of people who live *below* the poverty line, that is to say, on even less than US\$1.25 PPP a day. Suffice it to say that examining the depth of poverty below the extreme poverty line is critical from a social development perspective focused on the most vulnerable groups. This poverty gap can be measured through the shortfall in incomes of people living below the poverty line. As figure III illustrates, between 1990 and 2005, the depth of poverty decreased in all developing country regions, except Central Asia, Northern Africa and Western Asia. In Western Asia, it doubled, albeit at relatively low levels. As in the case of other poverty indicators, the poverty gap also varies significantly across the ESCWA region. As figure IV shows, while the poverty gap remained stable at 1 per cent in both Egypt and Jordan between 1990 and 2005, it quadrupled from 1 to 4 per cent in Yemen during the same period.

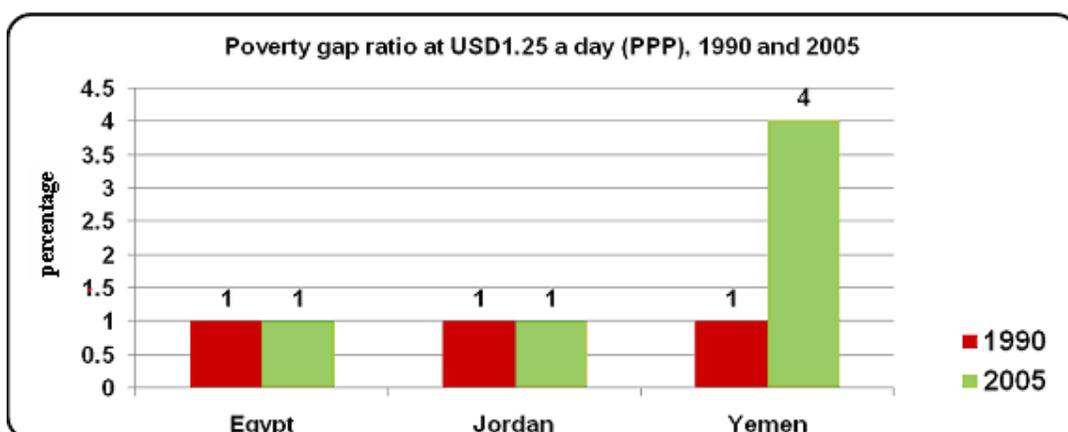
<sup>21</sup> Data obtained electronically from the World Bank Global Data Monitoring Information System, available at: <http://ddp-ext.worldbank.org/ext/GMIS/gdmis.do?siteId=2&goalId=5&menuId=LNAV01GOAL1>.

**Figure III. The depth of poverty in developing country regions**



Source: ESCWA, based on data available in United Nations, 2010b.

**Figure IV. The depth of poverty in selected ESCWA member countries**



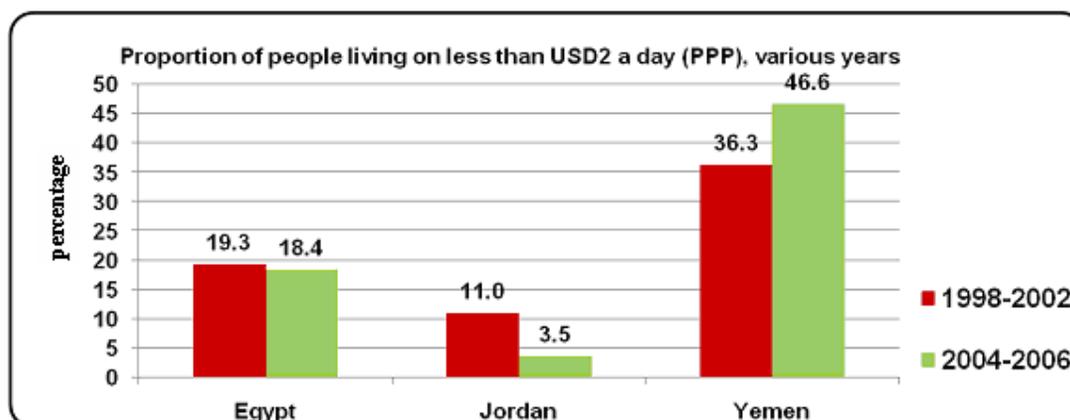
Source: ESCWA, based on World Bank data (see figure 2 above).<sup>22</sup>

In addition, it is estimated that large numbers of vulnerable people lie on the edge of poverty – that is to say, just above the extreme poverty line – in the region. The incidence of poverty and the total number of the poor both rise significantly in several populous ESCWA countries, such as Egypt, the Sudan and Yemen. As figure V shows, when the income poverty threshold is raised slightly to US\$2 (PPP) per person per day, the proportion of poor people rises to almost half the total population in Yemen and almost a fifth of the population in Egypt. Although there are no reliable or internationally-comparable poverty data within the MDG framework for the Sudan as a whole, it is estimated that, in 2008, 50 per cent of the population in northern Sudan and 90 per cent in southern Sudan lived in poverty.<sup>23</sup>

<sup>22</sup> Data obtained electronically from the World Bank Global Data Monitoring Information System, available at: <http://ddp-ext.worldbank.org/ext/GMIS/gdmis.do?siteId=2&goalId=5&menuId=LNAV01GOAL1>.

<sup>23</sup> See *Status of MDGs in Sudan in 2008*, prepared by the United Nations Resident Coordinator's Support Office in Khartoum. Available at: [http://www.sd.undp.org/mdg\\_fact.htm](http://www.sd.undp.org/mdg_fact.htm).

**Figure V. Progress in achieving slightly higher poverty target in three ESCWA member countries**

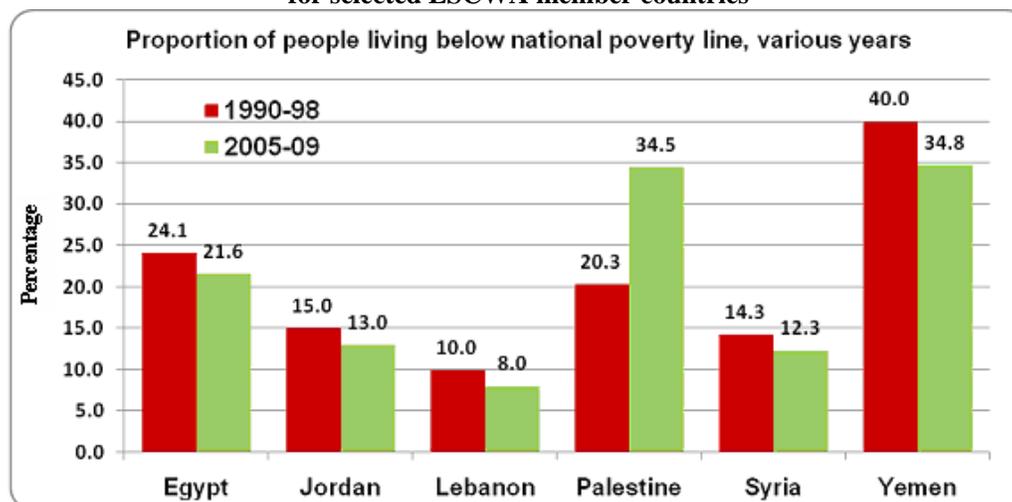


Source: ESCWA, based on data available in World Bank, 2010.

Note: The data for Egypt refer to 1999-00 and 2004-05 respectively; for Jordan, 2002-03 and 2006; and for Yemen, 1998 and 2005.

For the Middle East and North Africa as a whole, in 2005, the number of people estimated to be living on less than US\$2 PPP a day (51 million) was almost five times greater than those living on less than US\$1.25 a day (11 million).<sup>24</sup> It is estimated that there are currently some 35 million people living on less than US\$2 a day in the ESCWA region. This vast number of people living marginally above the extreme poverty line gives an indication of the extent to which low income groups in the region are vulnerable to negative income shocks, such as the recent global food, fuel and financial crises. As figure VI shows, this vulnerability is supported by available data on national poverty lines, although rates and trends also vary significantly from country to country, and the downward trend for Yemen is in contrast to the upward trend for international poverty lines (at US\$2 per day) over a similar time period.

**Figure VI. Poverty incidence based on national poverty lines for selected ESCWA member countries**



Source: ESCWA, based on data available in League of Arab States/ESCWA/United Nations Development Programme, 2010.

Notes: The data for Egypt refer to 1990 and 2009 respectively; for Jordan, 1990 and 2006; for Lebanon, 1997 and 2005; for Palestine, 1998 and 2007; for the Syrian Arab Republic, 1997 and 2007, and for Yemen, 1998 and 2006.

<sup>24</sup> World Bank, 2010.

## B. THE URGENT NEED FOR RELIABLE REGIONAL DATA ON POVERTY AND INEQUALITY

The above data disparities point to an urgent need to build up data collection and analysis for ESCWA countries at both the national and international levels. The data on national poverty lines are not internationally comparable and are characterized by different quality and verification standards. At the same time, there is a serious lack of internationally-comparable poverty data throughout the ESCWA region, including poverty headcount ratio (at both US\$1.25 and US\$2 a day) and poverty gap. MDG databases maintained by key international agencies, such as the World Bank and United Nations Development Programme (UNDP), generally record reliable and internationally-comparable time series for only three countries: Egypt, Jordan and Yemen. Therefore, and as a matter of urgency, the international community should improve data collection and analysis for Western Asian countries, and support or strengthen ongoing collaboration with national statistical offices and research institutions to improve poverty statistics. This includes strengthening collaboration to improve the collection and analysis of both national poverty data and inequality data.

It is sometimes argued that the MDGs are primarily concerned with absolute levels of poverty and thus do not adequately address the issue of inequality.<sup>25</sup> There is plenty of evidence to show, however, that the extent to which rapid economic growth and poverty reduction strategies are successful is closely related to more equitable income distribution patterns.<sup>26</sup> In other words, high initial levels of inequality limit the effectiveness of economic growth and pro-poor development policies in reducing poverty. At the same time, a recent study of available data on poverty and inequality in countries around the world shows substantial differences in the ability of countries to translate economic growth into poverty reduction, based on their respective inequality and income profiles.<sup>27</sup> This suggests that the effectiveness of pro-poor growth strategies also depends on country-specific attributes. However, available national inequality data in the ESCWA region is patchy and there are reliable time series for only a few countries. The limited sample points, once again, to a mixed picture: for example, of the four ESCWA member countries for which Gini coefficients are available (Egypt, Jordan, the Syrian Arab Republic and Yemen), only Jordan showed a reduction in inequality between 1990 and 2005-09.<sup>28</sup>

It is thus also critical to improve inequality data collection and analysis at the national level to allow Governments to formulate and implement redistributive policies to combat different dimensions of poverty and inequality. This includes not only income inequality trends, but also unequal access to employment, social services and productive resources. Inequality trends in the broader Middle East and North African region are often complex: on the one hand, the region presents more equal income distribution patterns than other developing country regions; on the other hand, it has also recently experienced one of the highest wage inequality levels – compared with other developing country regions – in the manufacturing sector.<sup>29</sup> In addition, there is a need to improve collection of poverty data disaggregated by sex in order to allow policymakers to address the gender dynamics of poverty within the context of the MDG agenda.<sup>30</sup>

## III. THE WAY FORWARD: SOME SOCIAL CONSIDERATIONS

Future regional and global approaches to poverty reduction need to consider a number of key social development dimensions, including the multidimensional nature of poverty, social inclusion, social protection, and the integration of social and employment policies.

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<sup>25</sup> Fukuda-Parr, 2010; United Nations Research Institute for Social Development, 2010.

<sup>26</sup> United Nations, 2010a.

<sup>27</sup> Fosu, 2010.

<sup>28</sup> League of Arab States/ESCWA/UNDP, *op. cit.*

<sup>29</sup> Angeli, 2009.

<sup>30</sup> Jones, Holmes and Espey, 2009.

## A. THE MULTIDIMENSIONAL NATURE OF POVERTY

Poverty income measurements based on international poverty lines are critical for monitoring global poverty trends, creating global partnerships for development, raising funds for corrective action and galvanizing all stakeholders, including poorer segments of the population, to take ownership of the battle against poverty. However, the multidimensional nature of poverty goes well beyond a mere lack of adequate income and into social, political and environmental realms, as elaborated in the Programme of Action of the World Summit for Social Development in Copenhagen. In addition, it is widely recognized that poverty interacts closely with various dimensions of inequality, including gender, ethnicity and geographical location.

Given that this multidimensional nature of poverty cannot be captured by MDG international poverty line approaches, it is particularly important to consider alternative approaches to measure and monitor the non-material dimensions of poverty at both the global and national levels. UNDP and Oxford University have recently launched a multidimensional poverty index (MPI) to replace the human poverty index in future editions of the UNDP Human Development Report. The MPI is based on the measurement of critical deprivations at the household level. It comprises ten indicators in three broad human development categories – education, health and standard of living – which are weighted equally to form the composite index.<sup>31</sup>

The education indicators measure years of schooling and child enrolment; and the health indicators focus on child mortality and nutrition. The other six standard of living indicators measure access to (a) electricity, (b) drinking water, (c) sanitation, (d) cooking fuel and (e) dwellings with healthy flooring, as well as (f) ownership of assets. Eight of these ten indicators relate to MDG targets and can be used to better understand the interconnection between different deprivations at the national and subnational levels.

It can be argued that the MPI will be better able to identify poverty traps, given its ability to identify the most vulnerable and measure multiple deprivations simultaneously at different levels, from households and specific social groups to countries and regions. It will be the first international measure of multidimensional poverty and it is expected to offer an important complement to international income poverty measures within the MDG agenda. It is thus also argued that, over time, the development of the MPI will enable policymakers to formulate pro-poor policies and target resources more effectively, and as a result, strengthen the impact of interventions required to meet the MDGs.<sup>32</sup>

## B. SOCIAL INCLUSION

Inclusive societies that successfully integrate all social groups into the development process are better equipped to maintain social cohesion during times of crisis, and to avoid social upheaval and decline into poverty in economic downturns. Social inclusion is thus an indispensable complement to the MDG agenda. National averages often conceal pockets of poverty and deprivation, which may result from a lack of solidarity, equality or social justice. A recent ESCWA study concluded that the income poverty approach hides different manifestations of deprivation, such as social exclusion and intrahousehold disparities.<sup>33</sup> In addition, the ESCWA region faces important challenges regarding the integration of particular social groups, such as conflict-displaced refugees (notably Iraqis and Palestinians) and foreign migrant workers.

It is thus critical to provide policymakers in the region with a broad understanding of the needs and challenges facing excluded groups, while also proposing policy options that could be integrated into national development planning. Using the examples of street children in Egypt, foreign domestic workers in Lebanon

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<sup>31</sup> Alkire and Santos, 2010.

<sup>32</sup> Ibid.

<sup>33</sup> ESCWA, 2010.

and persons living with disabilities in Yemen, a 2009 ESCWA report on social integration argued that inclusive policies targeting clearly-defined social groups are essential to complement poverty reduction strategies and thus promote more equitable patterns of human development in the region.<sup>34</sup> There is thus a strong case for designing redistributive policies to address not only the various socio-economic dimensions of poverty, but also the specific needs of targeted social groups with a view to promoting their integration into national development processes. However, the success of such policies depends on the existence of appropriate institutional mechanisms to ensure their implementation according to clear distributive goals. In other words, appropriate institutions and good governance, in addition to political will and adequate policy space, are essential for the success of poverty reduction and the reduction of inequality.<sup>35</sup>

At the same time, these issues cannot be viewed in isolation from sustained economic growth, the availability of employment opportunities and the ability to secure adequate income. For example, increased expenditure on education is likely to increase school enrolment of and levels of attainment by poor children, but may not lift them out of poverty later on in their lives unless adequate employment opportunities are generated for them and specific social integration policies introduced to tackle exclusion, including ethnic, class and gender discrimination.<sup>36</sup> There is a need to ensure that socially excluded groups and the poor have equal access to productive resources, including land, microcredit, education, skills upgrading, technology and information. Investing in people is a key long-term national strategy in the ESCWA region to combat poverty, address social inequality and promote human development.<sup>37</sup> But once again, the achievement of these goals requires good governance, political will and suitable institutions.

### C. SOCIAL PROTECTION

Social protection is critical to improve the capacity of vulnerable people to manage the livelihood risks associated with sharp reductions in or interruption of their income or consumption. Policy interventions to protect the vulnerable against livelihood risks can be divided into four main categories: (a) social assistance to provide immediate relief from poverty and deprivation, such as provision of essential social services, food aid and family allowances; (b) social insurance schemes to cushion risks associated with unemployment, sickness, disability and old age; (c) measures to enhance economic opportunities, such as income diversification strategies and improved access to credit; and (d) transformative measures to address the root causes of inequality, such as redistributive tax instruments, improved access to land and other productive resources, as well as measures to combat exclusion, discrimination and disempowerment.<sup>38</sup>

Although the first two categories deal with traditional roles and the last two with more innovative ones, they are all characterized by a common goal to transfer income and assets to the poor in order to improve their capacity to cope with crises. In the aftermath of the recent food, fuel and financial crises, policymakers in a number of ESCWA member countries have increasingly been looking to move away from a charity-based approach to the welfare State towards more development-oriented approaches which aim to build resilience to cope with future crises. Such approaches include the reform of public pension schemes and a reconsideration of the social assistance and social security programmes which are currently available, including conditional cash transfer (CCT) programmes.

The growing popularity of CCTs in many developing countries – including small scale programmes in several ESCWA member countries, including Egypt, Jordan and Yemen – has generated strong support for such programmes at both the national and international level, in part because of their ability to link poverty reduction to other key MDG targets in the areas of education and health. Their principal advantages

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<sup>34</sup> See ESCWA, 2009b.

<sup>35</sup> Different dimensions of this argument are made by Young, 1990, and United Nations, 2010a.

<sup>36</sup> United Nations, 2010a.

<sup>37</sup> ESCWA, 2009c.

<sup>38</sup> Davies and McGregor, 2009.

include: (a) affordability for lower income countries, (b) direct positive impact on poverty reduction and (c) investment in human development, given that cash transfers are often conditional on keeping children in school and the use of health services by mothers and children. Potential drawbacks of CCTs include (a) lack of administrative capacity in poor countries to monitor such programmes, (b) social stigma faced by targeted vulnerable groups and (c) their inability to tackle the root causes of inequality, such as unequal access to land and other productive resources. In addition, certain studies have shown that poor countries are often unable to invest adequately in the supply of key services, such as health and education, to cope with the increased demand generated by CCTs.<sup>39</sup>

Proponents of universal social protection systems argue that they are more effective in reducing vulnerability and that “it is possible to implement such systems in most developing countries with a modest increase of budgetary resources”.<sup>40</sup> It is sometimes also argued that within the framework of universal social schemes, lower income groups can receive extra benefits to compensate for their relative disadvantage in comparison with more affluent social groups, which are also entitled to such schemes. This “targeting within universalism” can make such schemes more responsive to the needs of the poor.<sup>41</sup> In addition, universal social systems are thought to build even greater resilience among vulnerable groups, helping them to cope with the negative impact of major crises. This applies not only to the extreme poor but also the considerable numbers of people in the region and elsewhere who find themselves just above the international poverty line. One of the best articulated international social strategies to respond to global crises is the Social Protection Floor (SPF), a set of basic social guarantees comprising universal access to essential health services, income support and subsistence security, including assistance to the poor, unemployed, children and the elderly.<sup>42</sup> The SPF is strongly supported by organizations of the United Nations system and its implementation is estimated to cost as little as 1-2 per cent of GDP,<sup>43</sup> which would thus be affordable to most ESCWA member countries, provided that there is the political will to prioritize public expenditure on comprehensive social security systems. In fact, many ESCWA member countries, including Oman, Qatar, Saudi Arabia and the United Arab Emirates, already have universal access to health and education for their citizens. In higher income countries, some social security schemes can even be partly self-financing. For example, Bahrain became the first Gulf country to introduce an unemployment insurance scheme in 2007, based on equal contributions paid by employees, employers and the Government.

#### D. INTEGRATION OF SOCIAL AND EMPLOYMENT POLICIES

Achieving pro-poor growth and more equal patterns of development requires optimizing the development of national human resources, facilitating the inclusion of all segments of society in the labour market and ensuring decent employment. A comprehensive social development strategy should thus target job creation and enhance job quality, especially for vulnerable groups. This is particularly relevant as a policy response to economic crises or as a means of increasing resilience to cope with future crises. In this regard, two areas of particular concern resulting from the impact of the global economic crisis in the region are falling remittances and rising unemployment.

As table 1 shows, the inflow of official remittances to key labour-exporting countries in Western Asia for which data are available is estimated to have declined by 5 per cent, from US\$25.7 billion in 2008 to US\$24.4 billion in 2009. Although this decline is not as significant as originally predicted, also considering that the estimated total figure for 2009 is still higher than that for 2007, it is expected to have an adverse social impact in countries where remittances account for a high share of GDP, such as Lebanon (25 per cent)

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<sup>39</sup> Cecchini, 2009.

<sup>40</sup> United Nations, 2009.

<sup>41</sup> See Mkandawire, 2006.

<sup>42</sup> See ILO, 2009. The SPF was adopted by the United Nations Chief Executives Board in April 2009 as a response to the global financial and economic crisis. The SPF was subsequently integrated into the Global Jobs Pact adopted by the ILO in 2009.

<sup>43</sup> ILO, 2008.

and Jordan (19 per cent), and even in least developed countries with lower shares, such as the Sudan (5.3 per cent) and Yemen (5.3 per cent).<sup>44</sup> It could also have a detrimental impact at the household level in countries receiving large amounts of international remittances, such as Egypt, which is one of the top ten remittance-receiving countries globally.<sup>45</sup>

TABLE 1. WORKERS' REMITTANCES, EMPLOYEE COMPENSATION AND MIGRANT TRANSFERS  
TO SELECTED ESCWA MEMBER COUNTRIES, 2007-2009  
(US\$ MILLION)

Country	2007	2008	2009 (estimate)	Impact of the economic crisis (percentage)
Egypt	7 656	8 694	7 800	-10.3
Jordan	3 434	3 794	3 650	-3.8
Lebanon	5 769	7 180	7 000	-2.5
Palestine	630	630	630	0.0
The Sudan	1 769	3 100	3 059	-1.3
Syrian Arab Republic	824	850	827	-2.7
Yemen	1 322	1 420	1 413	-0.5
Total	21 404	25 668	24 379	-5.0

Source: League of Arab States/ESCWA/UNDP, 2010, p. 126.

A considerable share of the migrants from labour-exporting ESCWA member countries to the countries of the Gulf Cooperation Council (GCC)<sup>46</sup> are young adult males from lower-income groups. There is evidence to show that remittances flows from such migrants have made a positive contribution to reducing poverty and unemployment at the local and household levels in remittance-receiving countries.<sup>47</sup> Research in Egypt shows that a significant proportion of remittances are used by lower-income families for food, clothing, health care and housing.<sup>48</sup> Any sharp drop in remittances is thus likely to have an adverse impact on standards of living in the short run, in particular of lower-income families which depend on such remittances for basic social needs. In addition, falling remittances are likely to have a detrimental economic impact on domestic demand and foreign exchange earnings in remittance-receiving countries.

Unemployment and underemployment have remained a major socio-economic challenge in Western Asia and the Arab region as a whole. The average unemployment rate in the region was estimated at 12 per cent of the labour force during the period 2005-2008, with a youth unemployment rate as high as 30 per cent in 2006.<sup>49</sup> Although any full assessment of the impact of the global economic crisis in the region is constrained by the lack of reliable data, preliminary information for key countries points to a detrimental impact.

In Egypt, for example, it is estimated that, as a result of the global economic crisis, the unemployment rate has increased by one per cent to almost 10 per cent. In addition, vulnerable groups, including the low-skilled, women and youth, appear to have been hit particularly hard. In the twelve months following the beginning of the crisis in Egypt, the female unemployment rate increased from 18 per cent to 23 per cent.<sup>50</sup>

<sup>44</sup> 2008 data.

<sup>45</sup> See Ratha, Mohapatra and Silwal, 2009.

<sup>46</sup> The countries of the GCC, which are all ESCWA member countries, are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.

<sup>47</sup> Arab Labour Organization and International Organization for Migration, 2010.

<sup>48</sup> For more details, see ALO/IOM, 2010 and Tacon (forthcoming).

<sup>49</sup> League of Arab States/ESCWA/UNDP, 2010.

<sup>50</sup> ILO, 2010.

Similarly, the youth unemployment rate in the country – estimated to have been as high as 21 per cent at the onset of the global economic crisis – is expected to have risen significantly as a result of the crisis.<sup>51</sup> In addition, recent regional research points to the urgent need for a better understanding of the potential socio-economic contribution of the informal sector in the region (notably in urban areas) in order to allow “a more realistic assessment of the likely impact of crises on employment”.<sup>52</sup> As Western Asia becomes more urbanized and poverty becomes increasingly urban, it is also becoming increasingly urgent to generate decent jobs and adequate income for the urban poor who rely on the informal economy for their livelihoods, as a means to achieve the poverty-related MDGs.<sup>53</sup>

This calls for balanced national employment strategies aimed at achieving both social and economic objectives. However, recent socio-economic history shows that employment policy has often been polarized between a focus on industrial competitiveness on the one hand, and labour protection and rigid wages on the other hand.<sup>54</sup> Flexible labour market policies promoted by neo-liberal macroeconomic strategies have often been accompanied by disappointing employment expansion, notably in economies characterized by under-utilized labour resources and large informal sectors. But at the same time, labour legislation based on permanent employment and rigid wages – notably in the public and formal private sectors of several countries in the region – has often led to low labour productivity and lack of competitiveness.

Understanding the strains in labour markets in the ESCWA region and efficient policy responses are therefore essential for the development of an integrated socio-economic policy that is able to promote sustained growth, create jobs and reduce poverty. This also calls for balanced labour market strategies that effectively target key social and economic goals. A good mix of active and passive labour market policies should be carefully considered on a country-by-country basis, as there is no effective “one-size-fits-all” strategy.<sup>55</sup> Active labour market policies should focus on the generation of direct employment (for example, through public works and the promotion of small and medium enterprises), skills upgrading and the promotion of efficient jobcentres. Passive labour market policies are also critical from a social development perspective, given their focus on income support, unemployment insurance and labour standards. However, any legislative framework should ensure an appropriate balance between labour protection and economic efficiency on a country-by-country basis.

#### IV. CONCLUDING REMARKS

This paper has shown that gathering accurate and reliable poverty data for ESCWA member countries is critical for (a) monitoring poverty trends and progress in implementation; (b) ensuring accurate comparability across countries and regions over specific time periods; and (c) formulating and implementing effective poverty reduction strategies. The need for more reliable and up-to-date regional data applies to both national and international poverty measurements. In addition, there is a need to move beyond the measurement of income poverty into multidimensional approaches that focus on other key poverty characteristics at the national, regional and global levels.

Bearing in mind such data limitations, it is possible to conclude that the region has experienced a mixed record of progress in the fight against poverty. There are clear disparities in poverty incidence and trends – as well as in national policy responses – between the various categories of countries, namely the oil-rich GCC countries, the more diversified middle-income economies, the least developed countries and countries in conflict or post-conflict situations. Nonetheless, compared with other developing country

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<sup>51</sup> Ibid.

<sup>52</sup> League of Arab States/ESCWA/UNDP, 2010, p. 138.

<sup>53</sup> See Neto, Ha and Weliwita, 2007.

<sup>54</sup> United Nations, 2010a.

<sup>55</sup> In order to respond to these policy needs, the ESCWA Social Development Division has embarked upon a major research project on labour market policies in the region.

regions, available data show that Western Asia maintains relatively low levels of poverty and inequality, even if there are signs of worsening trends in both areas.

The paper has identified policy options in three key social areas: social inclusion, social protection and employment. Social integration and human capital formation are critical to reduce poverty and inequality. Inclusive social policies are essential to combat poverty in the ESCWA region, where an estimated 35 million people live under the US\$2 per day poverty line, and thus constitute an indispensable complement to the MDG poverty agenda. Such policies must target specific social groups with a view to promoting their integration into national development processes.

Similarly, it is evident that comprehensive social protection is vital to improve the capacity of vulnerable groups to manage livelihood risks that may push them into poverty. The debate between proponents of universal and targeted approaches will continue, but if the poor can benefit from both approaches, there is no question that they should both be implemented, according to national priorities and resource availability. While CCTs can often succeed in lifting vulnerable groups out of poverty and building their human capital, universal social protection systems can achieve these goals even more effectively and ensure the creation of permanent social protection floors. In any case, as discussed above, the option of targeting within universalism should always be explored. The bottom line is that, partly as a result of the global economic crisis, the international development pendulum has swung further towards the more widespread recognition of the central role of the State in the provision of adequate levels of social protection for all.

Last, but not least, ensuring decent employment for all should be considered as the central platform for pro-poor development policies, given that unemployment remains the most urgent socio-economic development challenge in the ESCWA region. A comprehensive social development strategy should thus target employment generation and enhanced job quality, in particular for vulnerable groups. Generating sufficient employment opportunities and decent work is the key to combating poverty, building human capabilities, and promoting a more equitable and inclusive process of social development in the region.

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