

Inequality in the Arab region

A ticking time bomb

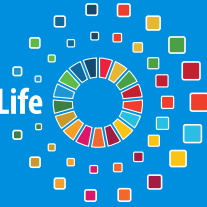


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Preface



Inequality in the Arab Region - A ticking time bomb is a flagship report that builds on the Pathfinders flagship global report entitled *From Rhetoric to Action: Delivering Equality and Inclusion*. The present report analyses selected forms of inequalities that were exacerbated by recent developments globally and regionally. It aims to contribute to Arab countries' efforts to reduce inequality, which has been on the rise in the region, especially since the outbreak of the COVID-19 pandemic. The report sets out practical policy solutions that may have a tangible impact on reducing inequality, particularly the pertinent challenge of youth unemployment in the region.

The report begins with an introductory section that sets the tone and presents the overall objectives of the report, followed by six chapters.

Chapter 1 establishes the mutually reinforcing relationship between protracted conflicts in the region and inequality. It provides an overview of various dimensions of inequality, which have made the region the most unequal worldwide.

Chapter 2 examines the aftereffects of the pandemic, and how it has exacerbated inequality in the region. It assesses government responses to the pandemic from an inequality perspective, and describes the social policy context in the region prior to the outbreak, as well as measures

undertaken within social protection schemes to mitigate its repercussions.

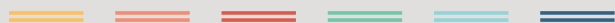
Chapter 3 highlights regional drivers of inequality, such as demographic dynamics, weak institutions, the digital divide, poor education, corruption, lack of transparency, and data deficits. It proposes practical policy solutions based on a three-pillar approach: visibility, credibility and solidarity.

Chapter 4 provides an analysis of a public opinion survey in the Arab region conducted by ESCWA to further understand people's perceptions of social and economic equality in general, and youth unemployment, in particular.

Chapter 5 analyses the challenges and characteristics of youth unemployment from an inequality perspective, and introduces supply- and demand-side constraints to job creation for young people.

Chapter 6 applies the three-pronged model, based on visibility, credibility and solidarity, to youth unemployment and presents practical solutions to reduce inequality in employment among young people. It proposes a paradigm shift in policy formulation by establishing a solidarity fund and a regional coalition to ensure effective and inclusive government responses that deliver on the commitment to leave no one behind.

Acknowledgements



The present report was produced by the Economic and Social Commission for Western Asia (ESCWA) in partnership with the Pathfinders for Peaceful, Just and Inclusive Societies, hosted by the Center on International Cooperation at New York University.

It was co-authored by John O'Toole, Principal Economic Affairs Officer at ESCWA; and Mehrinaz Elawady, Director of the ESCWA Cluster on Gender Justice, Population and Inclusive Development. Zahraa Barakat and Sarah Jaroush provided research support to the lead authors.

The report underwent external peer reviews by Paul Ladd, Director of United Nations Research Institute for Social Development; and Faiza Shaheen, Inequality and Exclusion Lead, Pathfinders, Center on International Cooperation at New York University.

The report also benefited from input by ESCWA colleagues, including Salim Araji, Vladimir Hlasny, Hisham Taha, Youssef Chaitani, Marco Schaefer, Rania Al Jazairi, and Mona Fattah.

Foreword



The Arab region continues to be one of the most unequal regions worldwide. As poverty rises, the growing wealth gap between individuals fuels increasing inequality. The region exhibits persistent and increasing levels of inequality in opportunity, especially among certain groups and in certain areas. For example, youth unemployment, which is 3.8 times higher than that of adult workers, has been the highest in the world for the past 25 years. Unemployment among certain groups, such as women and persons with disabilities, is even higher than that of men and persons without disabilities. Gender-based inequalities stubbornly remain above global levels. Wealth creation opportunities are declining, with the wealthiest 10 per cent of Arab adults holding 80 per cent of the total regional wealth. Such factors, if left unaddressed, will deepen existing inequalities, hitting the poorest and most vulnerable communities hardest. These factors risk inflaming greater disaffection and alienation among Arab populations, resulting in a breakdown of social cohesion.

Furthermore, social, political and economic inequalities have amplified the impact of the COVID-19 pandemic, which disproportionately affected young people in the Arab region. The pandemic highlighted the economic inequalities and fragile social safety nets in the region, with vulnerable and at-risk communities bearing the brunt of the pandemic's repercussions.

Despite this bleak picture, Arab populations are optimistic and hopeful. A survey conducted by ESCWA found that 52 per cent of people in the region believe that equality exists, either fully or partially, while 47 per cent believe that equality will increase in the next five years.

This optimism must be utilized.

To seize this momentum, Arab Governments should not spare an effort to capitalize on youth enthusiasm, which can serve as a strong catalyst for change. This requires going beyond superficial and temporary fixes

to fundamentally reform the root causes of inequality, including addressing structural challenges, corruption, governance and institutional deficits, and introducing coordinated economic and social policies. Notably, creating job opportunities was chief among the demands of those surveyed. Decent job creation is necessary to unleash the productive potential of young people, and avoid another “lost generation” with limited access to opportunities as it transitions into the labour market.

Arab Governments must recognize that delivering visible impact, securing credibility, and promoting solidarity within the region constitute a successful three-pronged policy approach to reducing inequalities. Practical solutions should be put in place to translate this approach into practice, and ensure that benefits trickle down to those most in need.

To kickstart this paradigm shift in policy reform, I propose establishing a solidarity fund and a regional coalition to reconnect different population groups across the wealthiest and poorest segments of society, so as to create opportunities to ensure dignified and prosperous lives for the poor and vulnerable, improve shared wellbeing, guarantee growth to build stronger and more stable societies that leave no one behind in the achievement of the SDGs, and promote shared responsibilities, societal solidarity and effective partnerships for development.

We need to act now. Our children will never forgive us if the legacy they inherit is fragmented, fragile and marginalized societies.

Rola Dashti
Executive Secretary of ESCWA

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The most unequal region worldwide

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Introduction



The challenges facing Arab countries today reflect decades-long problems, such as civil war, political violence, foreign military intervention, youth unemployment, gender inequality, limited social protection coverage, and widespread human vulnerability owing to poverty and unmet basic needs.

Since the outbreak of the COVID-19 pandemic, the Arab region has witnessed disparities that sharply contradict the vision of equality and inclusion inspired by the Sustainable Development Goals (SDGs). Many poor people in several Arab countries

could not procure private medical care and consequently died of the virus, while others survived because they could protect themselves at home or access private health care. Around 8.8 million people became newly unemployed during the pandemic in the Arab region,¹ while the wealthiest 10 per cent of the region's population now control 81 per cent of its net wealth compared with 75 per cent prior to the pandemic. In 2023, an additional 10.9 million poor people in the region will fall into extreme poverty, 8.5 million owing to the impact of the pandemic and 2.4 million as a result of the war in Ukraine.

 **Inequality** are not destiny
and **exclusion** – **change is possible.**

Pathfinders, *From Rhetoric to Action – Delivering Equality and Inclusion*, 2021.



The present report builds on the increasing awareness among Governments and people of the importance of tackling inequality as a prerequisite for a just and peaceful society. It complements the Pathfinders flagship global report entitled *From Rhetoric to Action: Delivering Equality and Inclusion*.² The Pathfinders report seeks to identify practical and politically viable solutions to meet the SDG targets on equitable and inclusive societies, especially Goal 10 on reduced inequality. The focus of the present roadmap for the Arab region is to provide a practical

set of actions that identify how opportunities can be shared more equally to reach the most vulnerable populations and reduce inequalities. It highlights the challenges of delivering equality and inclusion in the Arab region, and identifies practical solutions to address these issues, based on recent and longer-term experiences of other countries. The roadmap echoes the message of the Pathfinders report that “inequality and exclusion are not destiny – change is possible”. The roadmap builds on the policy approach set out in the Pathfinders report, aimed at providing

practical solutions to inequality and exclusion. The three pillars of the policy approach are: delivering visible impact; securing credibility; and promoting solidarity.

The present report also tackles the long-standing challenge of youth unemployment in the Arab region, which is one of the most enduring forms of inequality. Enhancing the status of young people and assimilating them into the labour market is crucial

to reducing inequality, since young people (aged 15-29) represent about 30 per cent of the entire Arab population. Economic growth alone will not solve this problem. On the contrary, non-inclusive growth could exacerbate inequalities without strengthening economic participation for all. The best way to translate economic growth into reduced inequality is by creating upward mobility opportunities and decent employment that reduce poverty and narrow the income gap between high and low earners.

Box 1. Global messages of the Pathfinders report

The global report has the following three main messages:

- ■ ■ ■ People globally are demanding a new social contract to heal a divided world. Opinion surveys show an immense preoccupation with societal divisions and a consensus that more needs to be done to address them.
- ■ ■ ■ Nationally, countries that have sustained progress in tackling inequality have adopted the following three-pronged approach:
 - Delivering visible results that make a difference in people's daily lives, in areas such as social protection, housing and wages.
 - Building solidarity through truth-telling exercises and strong community-based programmes.
 - Securing credibility and avoiding setbacks by fighting corruption and widening political power.
- ■ ■ ■ International policies are a critical complement to national action. The three urgent priorities now are vaccine equity, access to finance, and tax norms and agreements incentivizing those who have most profited from growth to contribute to the COVID-19 recovery and to climate change.
- ■ ■ ■ New aspects of the report include the following:
 - It lays out key statistics explaining how reducing inequality and exclusion is in everyone's interest, through more stable growth, pandemic containment, the ability to address the climate crisis, and political stability.
 - It looks at the "how to" of practical policymaking, starting with political and practical viability. It describes a menu of 21 policy areas that can be adapted to country circumstances, rooted in polling, research, and government and civil society consultations.
 - It combines attention to both income and identity-based inequalities, including gender, race and ethnicity.
 - It links the economic and social aspects of inequality to its civil and political aspects, including the links between State capture and inequality, and the benefits of maintaining civic space.
 - It is explicit about the relationship between national and international policies in combating inequality and exclusion.

The Arab region

The most unequal region worldwide

01



Key messages

01



The Arab region is the most unequal region worldwide. In 2020, 58 per cent of national income was accrued by the top 10 per cent, and only 8 per cent was accumulated by the bottom 50 per cent.

02



Poverty is intergenerational: once a family falls into poverty, it is likely to remain there for a few generations.

03



Gender inequality in the Arab region has been systematically above the global average, with an estimated 179 years needed to close the gender gap compared with 142 years globally.

04



Conflict is an impediment to reducing inequality: the direct cost of conflict incurred by Iraq, Libya, the Syrian Arab Republic and Yemen, and the indirect spillover effects on neighbouring countries, were estimated at \$752 billion between 2011 and 2015.

05



Economic growth alone will not solve this problem. On the contrary, non-inclusive growth could exacerbate inequalities without strengthening economic participation for all.

The Arab region

The most unequal region worldwide

01



“Justice is the foundation of Government.
Injustice is a prelude to destruction”

— — — — — Ibn Khaldun

The Arab region is significantly diverse, from the Atlantic Ocean to the Arabian Gulf. For example, Qatar has one of the highest GDP per capita globally, while Yemen is one of the world’s poorest countries. There are also notable disparities within each country between social groups and geographical areas in terms of income, wealth distribution and access to opportunities. This stark diversity results in numerous challenges, and

requires tailored approaches to reducing inequality. Consequently, there are no one-size-fits-all solutions.

Conflict has been a common feature of the Arab region. It is both a cause and a consequence of inequality. To analyse inequality trends in the Arab region, it is important to understand the dynamics of conflict and political instability.

A. Protracted conflict and instability

The political instability that swept through the Arab region in the early 2010s was a direct result of extreme

inequality. Although each country had its unique experiences and citizen demands, the popular uprisings



“The longstanding sectarian tension in Lebanon has created a trust crisis between the citizens and the Government; and between the government and international community”

== == == == == A young Lebanese person

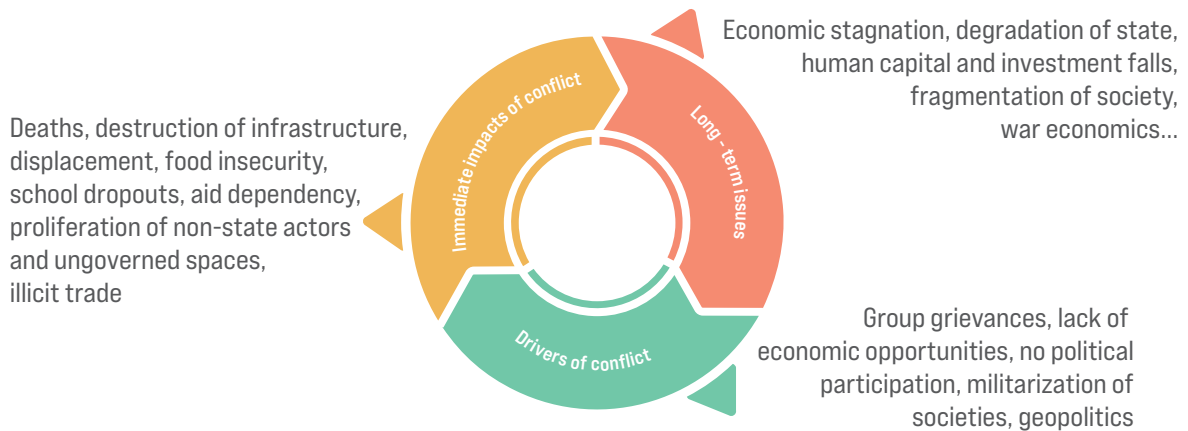
all aspired to justice, equality and better living standards. The Arab region is caught in a vicious circle of conflict, with devastating effects on its ability to consolidate development gains. The root causes and drivers of conflict in the region, combined with their immediate and long-term impact, are likely to perpetuate further conflict and exacerbate inequality. The breakdown of economic organizations and business networks, the degradation of State institutions, and the fragmentation of society will take generations to remedy, should conflict cease today. Figure 1 shows the cyclical impact of conflict.

Several Arab countries have witnessed conflict, including Iraq, Libya, Somalia, the Sudan, the Syrian Arab Republic, and Yemen. In addition, the State of Palestine continues to suffer from the longest occupation in modern history. Jordan is experiencing the spillover effects of conflicts raging in neighbouring countries. Lebanon is suffering from ongoing sectarian tensions, causing current stark levels of inequality. In 2021, the combined total population of Arab conflict-affected countries, namely people directly or indirectly affected by conflict, was 180.6 million, while their total youth population (aged 10-24) was approximately 56.04 million.³

Conflict is the main driver of increasing humanitarian needs to fill the gap in people's access to basic services such as food, water and health care. As the intensity of conflict in the region subsides, as indicated by a decrease in fatalities, humanitarian aid dependence remains high (figure 2). Similarly, forced displacement remains at a record high in the region, as illustrated in figures 3 and 4. The highest numbers of refugees and internally displaced persons (IDPs) were recorded in 2018 and 2020, respectively, with 5.6 million refugees and 58.5 million IDPs. The affected populations are mostly women and children, and will continue to suffer from serious repercussion for generations to come, especially their ability to enjoy their basic needs and to benefit from opportunities.

The human development repercussions of conflict have already placed large cohorts of future young people on an inequality trajectory in several critical periods of life, namely infancy, early childhood, childhood, and the transition into adulthood. The foundations of later-life success are for the most part built in the early years. Children exposed to conflict will most likely carry its effects throughout their lives. Food insecurity, weak

Figure 1. Cyclical instability and conflict

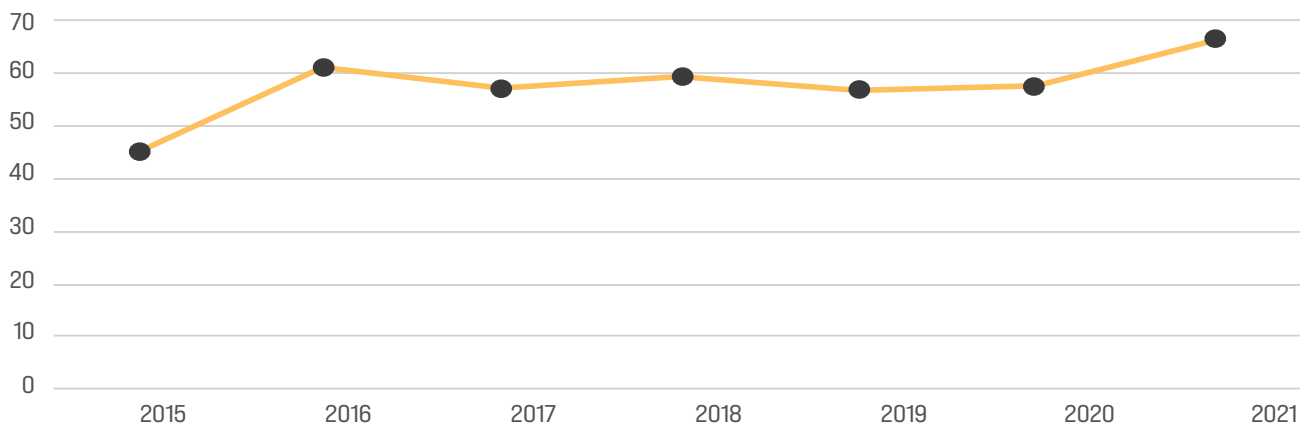


Source: Compiled by ESCWA.

school enrolment and vocational training, decreasing family resources, and reduced family investment in children have devastating long-term consequences on children in conflict-ridden countries across the region. In the absence of critical interventions designed to enhance

opportunities available to children and young people affected directly and indirectly by conflict, inequalities will be reinforced. Ending hostilities and sustaining peace therefore remain the top priority to tackle the numerous inequalities perpetuated by conflict.

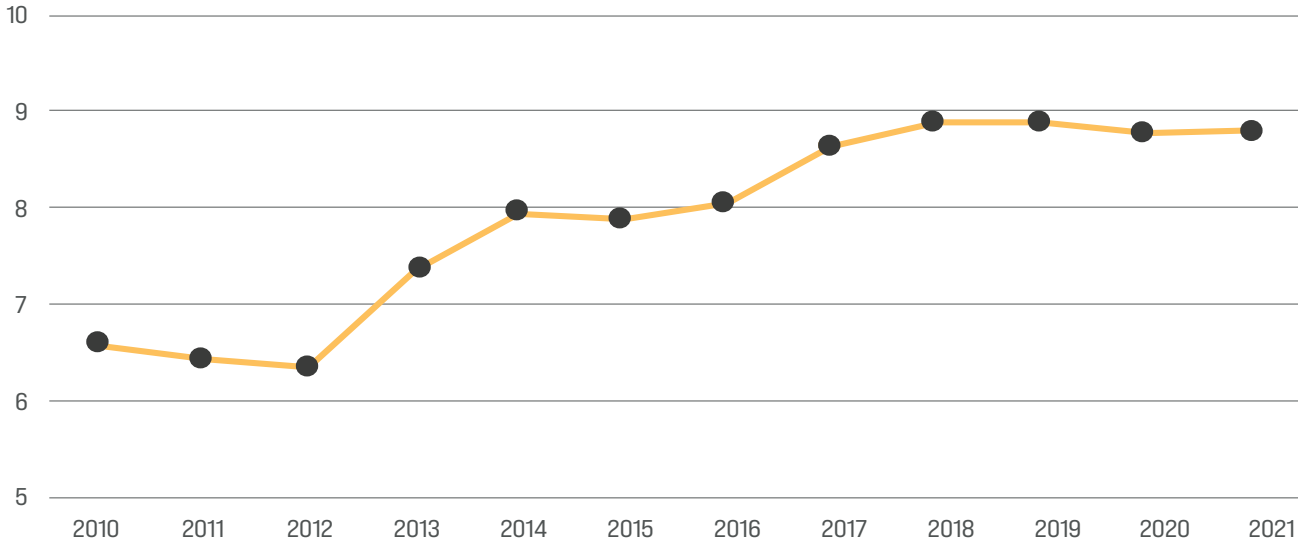
Figure 2. Total number of people in need of humanitarian aid (Millions)



Countries : Iraq, Lebanon, Libya, Palestine, Somalia, Sudan, Syria, Yemen

Source: OCHO, Global Humanitarian Overview, 2022. | Note: No data are available for Jordan.

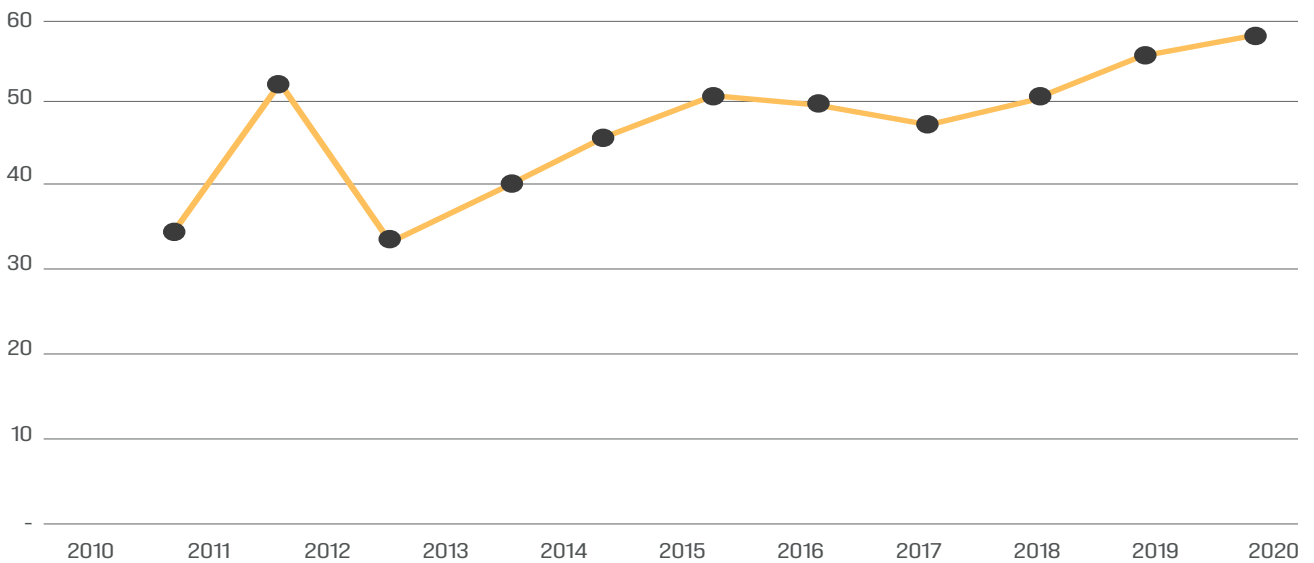
Figure 3. Total number of refugees (Millions)



Countries: Iraq, Jordan, Palestine, Lebanon, Libya, Somalia, Sudan, Syria, Yemen

Source: UNHCR, Refugee Data Finder.

Figure 4. Total number of IDPs (Millions)



Countries: Iraq, Palestine, Lebanon, Libya, Somalia, Sudan, Syria, Yemen

Source: Internal Displacement Monitoring Centre. | Note: No data are available for Jordan.

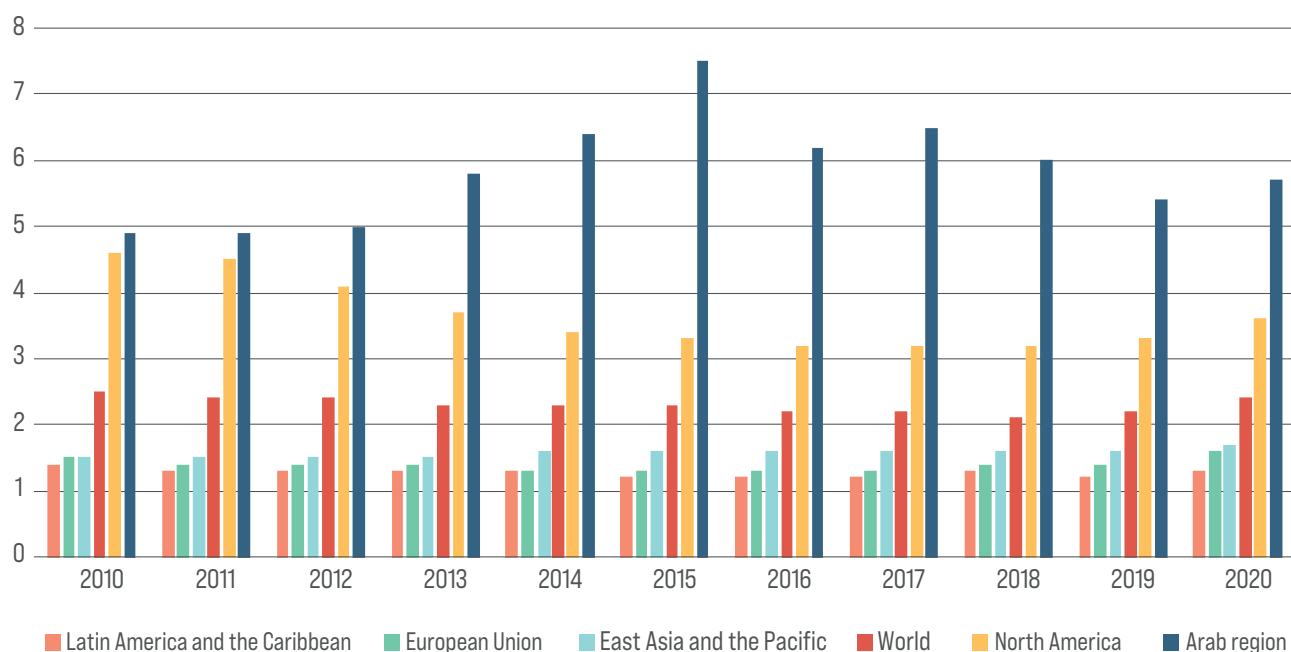


Conflict is both a cause and consequence of inequality

estimated at \$752 billion between 2011 and 2015.⁴ One year of civil war in an Arab country leads to an average loss of 3.5 per cent of per capita GDP.⁵ Conflict can also have negative implications on Governments' social expenditure in favour of military and security expenditure. The Arab region spends significantly more of its GDP on military expenditures and significantly less on health expenditures than any other region (figures 5 and 6). In 2019, the Arab region spent about 5.4 per cent of its GDP on military expenditure and only 3 per cent on health expenditure, while the world's average was 2.2 per cent and 5.9 per cent, respectively. Higher government spending on military and security expenses rather than social welfare adversely affects social spending, which is essential to promoting inclusive and sustainable growth and to helping lift people out of poverty and expand social protection schemes.

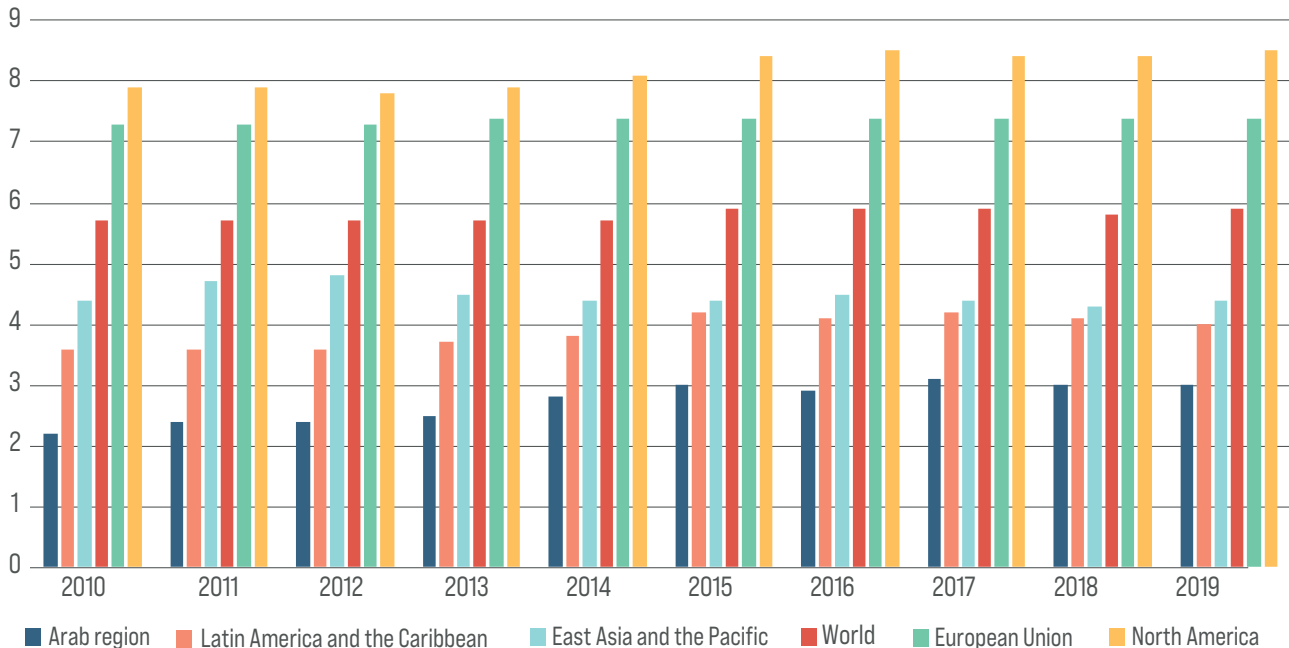
The direct cost of conflict incurred by Iraq, Libya, the Syrian Arab Republic and Yemen, and the indirect spillover effects on neighbouring countries, were

Figure 5. Military expenditure (Percentage of GDP)



Source: Stockholm International Peace Research Institute database.

Figure 6. Government health expenditure (Percentage of GDP)



Source: World Health Organization database.

B. Snapshot on inequality in the Arab region

The Arab region is the most unequal region worldwide.⁶ Inequality is a dynamic phenomenon that is constantly changing and interacting with social, economic and cultural factors operating at all levels across the region. Inequality negatively affects progress towards the SDGs and poverty reduction through inefficient

resource allocation, wasted productive potential, a high dependency ratio, and impaired institutional development. The present section provides an overview of some of the inequalities that are evident in the Arab region.

1. Wealth concentration and inequality

Before 2009, the average wealth of persons in the Arab region was growing at a fast pace of around 11.5 per

cent per year. After 2009, the wealth of Gulf Cooperation Council (GCC) nationals, like that of citizens in other

regions, continued growing, while the wealth of nationals in Arab middle-income, low-income and conflict-affected countries started to stagnate or decline, especially in low-income and conflict-affected countries.

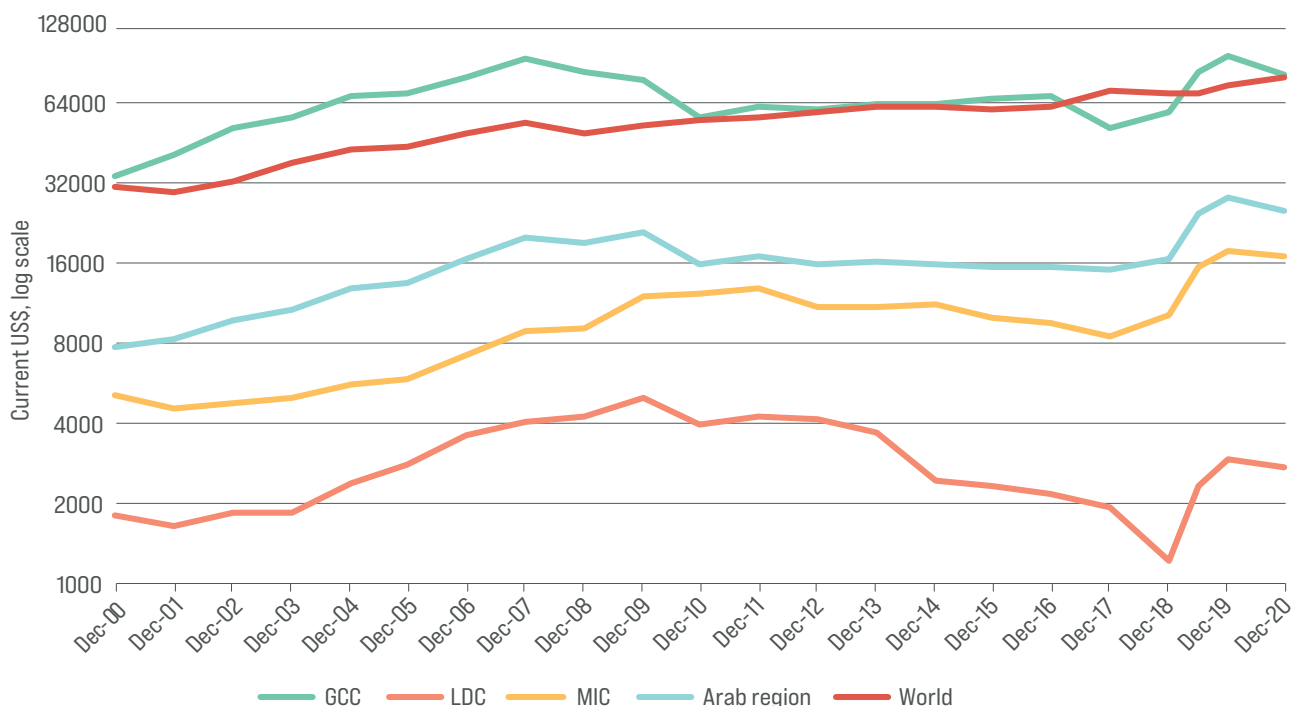
At the end of 2018, nationals of Arab middle-income countries (MICs) had only a slightly higher level of wealth holdings than in 2008 (\$10,300 in 2018 compared with \$9,100 in 2008), while nationals of Arab conflict-affected countries and least developed countries (LDCs) were poorer than in 2000 (\$1,200 in 2018 compared with \$1,800 in 2000).

At the end of 2019, when the COVID-19 pandemic started, average wealth in all the Arab subregions had begun increasing owing to rising valuations in the commodities and securities markets. By the end of 2020, however,

Arab nationals' wealth had declined, notably in the GCC subregion. While mean wealth dipped by 8 per cent in Arab low-income and conflict-affected countries, it declined by 13 per cent in GCC countries compared with an average fall of 10 per cent regionwide (figure 7).

Today, many Arab citizens, especially those at the bottom and in the middle of the economic distribution, are not better-off than a decade ago. Evidence from national household budget surveys suggests that the region-wide size of the middle class started contracting around 2013 and has dipped below 40 per cent, owing to rising poverty and vulnerability associated with economic downturns and conflict. Between 2019 and 2022, an estimated 8.7 million people in the region transitioned into extreme income poverty (totalling 53.7 million in 2022 compared with 45 million in 2019,

Figure 7. Average personal wealth, December 2000 – December 2020



Source: ESCWA analysis based on Credit Suisse Research Institute, Global wealth databook, 2021.

excluding GCC countries and Libya), and another 10.2 million transitioned into moderate poverty according to national poverty lines (totalling 68.7 million in 2022 compared with 58.5 million in 2019).⁷

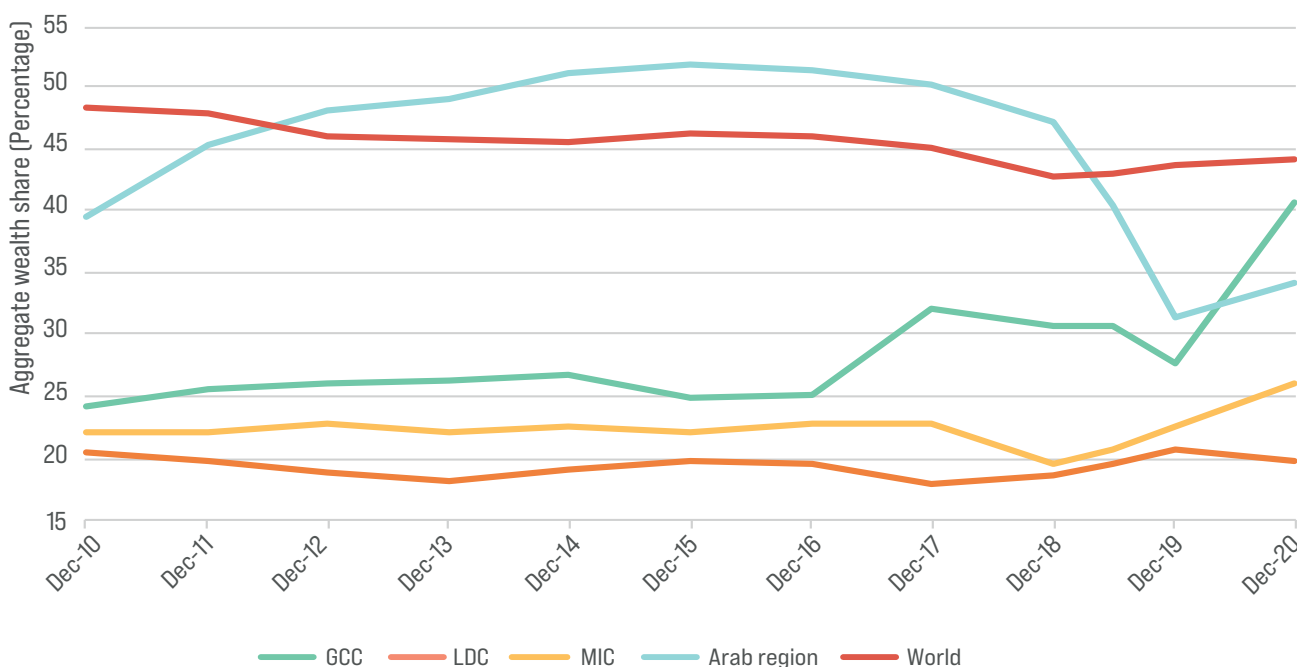
In terms of personal wealth, a similar depletion has occurred in the middle-wealth group. For example, during the period 2019-2020, 110 thousand individuals are estimated to have broken through the \$1 million wealth mark (totalling 660,000 at the end of 2020 compared with 550,000 in mid-2019). At the same time, the group holding less than \$10,000 of lifetime savings has swelled by 10 million individuals (totalling 180 million at the end of 2020 compared with 170 million in mid-2019).

Trends in wealth inequality and wealth concentration have been uneven in the Arab region, and have diverged

from global trends. Wealth concentration stagnated during the period 2010-2015 in Arab LDCs and conflict-affected countries. In the following years, wealth inequality and concentration started growing continually in Arab LDCs and MICs until 2018. In 2019, a temporary drop in wealth concentration occurred in all Arab subregions, particularly in MICs.

Wealth concentration increased abruptly in the first year of the pandemic. In Arab LDCs and GCC countries, the wealth concentration of the richest 1 per cent increased from around 30 per cent on the eve of the pandemic to 42 per cent at the end of 2020 (figure 8). However, in Arab MICs, it increased from 22 to 31 per cent.

Figure 8. Share of aggregate wealth of the wealthiest 1 per cent, December 2000 – December 2020



Source: ESCWA analysis based on Credit Suisse Research Institute, Global wealth databook, 2021.

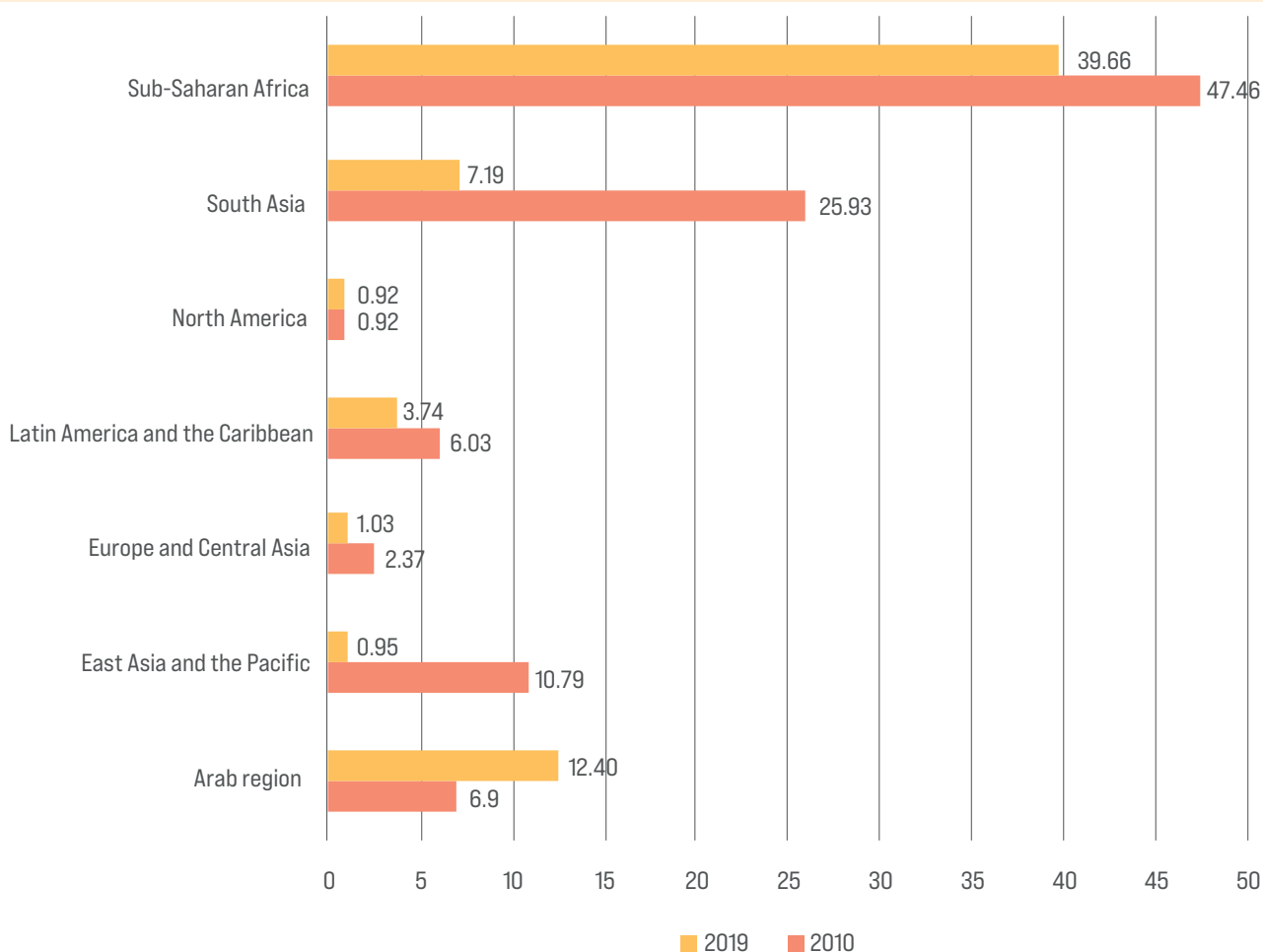
2. Income poverty

Since 2010, extreme income poverty⁸ has been rising, wiping out poverty reduction gains made in previous decades. During the pandemic, extreme poverty reached an average of 12.4 per cent in the region, excluding GCC countries.

The Arab region is the only region worldwide with increasing poverty rates in the 2010s. The

comparative performance of the Arab region has been declining significantly. For example, in 2010, the Arab region had roughly the same poverty rate as Latin America (6.9 per cent and 6 per cent, respectively). However, by 2019, the Arab region had triple the poverty rate. The problem of rising income poverty has been particularly severe in Arab conflict-affected countries (figure 9).

Figure 9. Extreme poverty trends, 2000-2019



Source: ESCWA calculations based on data compiled from World Development Indicators.

3. Income inequality

The Arab region has registered some of the highest levels of income inequality globally (figure 10). In some countries, the top 10 per cent of earners account for more than 60 per cent of national income,⁹ compared with 52 per cent globally, 55 per cent in Latin America, and 36 per cent in Europe.¹⁰

In 1980, the poorest 50 per cent of the Arab population held 8 per cent of the region's total income, while the richest 1 per cent held 33 per cent of the region's total income. By 2021, the poorest 50 per cent of the Arab population held 9 per cent of the region's total income, and the richest 1 per cent held 24 per cent of the region's total income. Despite this slight progress in reducing the inequality gap, the Arab region remains the most unequal in terms of income

distribution.¹¹ Over the period 1980-2021, the income of the bottom 50 per cent was almost stagnant, while the income of the middle 40 per cent increased slightly.

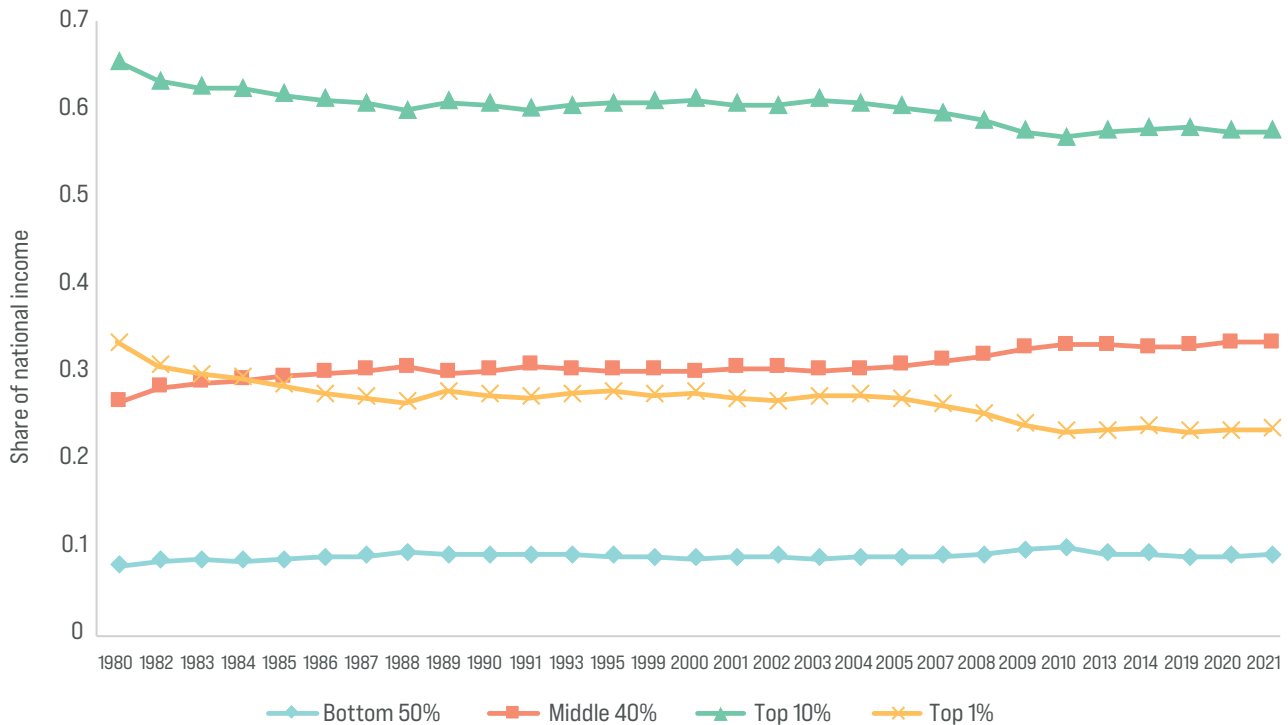
Disparities between countries are higher in the Arab region than in any other geopolitical region. They reflect the inequalities that occur on a global scale, since the Arab region includes countries whose per capita GDP is considerably above the average for the group of the world's richest countries, and others whose per capita GDP is considerably below the global middle income. For example, the per capita GDP of Qatar was 66 times higher than that of Yemen in 2020.¹²



In Tunisia, 73 per cent of the population thinks that children from low-income backgrounds will have fewer opportunities in their future.

Source: Pathfinders, From Rhetoric to Action – Delivering Equality and Inclusion, 2021.

Figure 10. Income inequality in the Arab region



Source: Compiled by ESCWA based on World Inequality Database.

4. Gender inequality

The Arab region needs around 179 years to close its gender gap,¹³ which was one of the highest gender gaps worldwide in 2021 at 61 per cent compared with 67.7 per cent globally.¹⁴

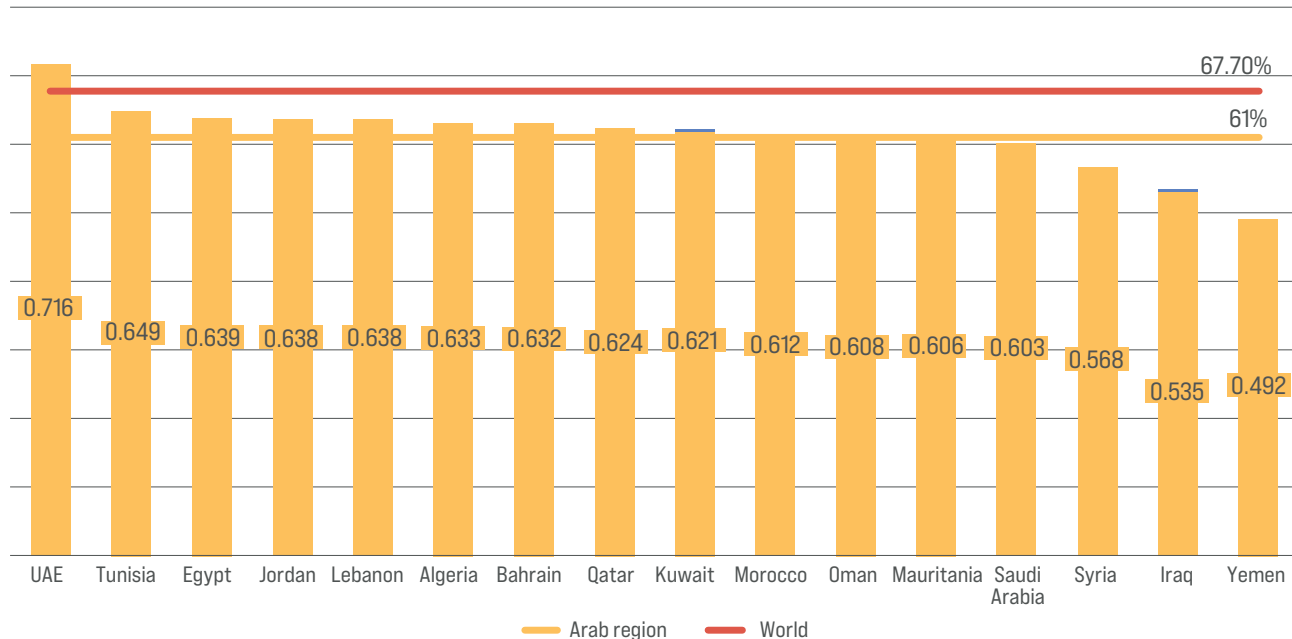
Figure 11 shows that significant discrepancies exist between Arab countries in the gender gap. For instance, with a global rank of 72, the United Arab Emirates was the best performing Arab country in 2021, compared with Yemen that ranked 155 globally.¹⁵

Although gender parity, defined as the equal contribution of both men and women to all dimensions of political and private life, has improved by 4

percentage points (or an average of almost 0.26 percentage points a year) relative to 2006 in the Arab region (figure 12), this represents almost half the progress achieved in other regions such as Western Europe and North America.¹⁶

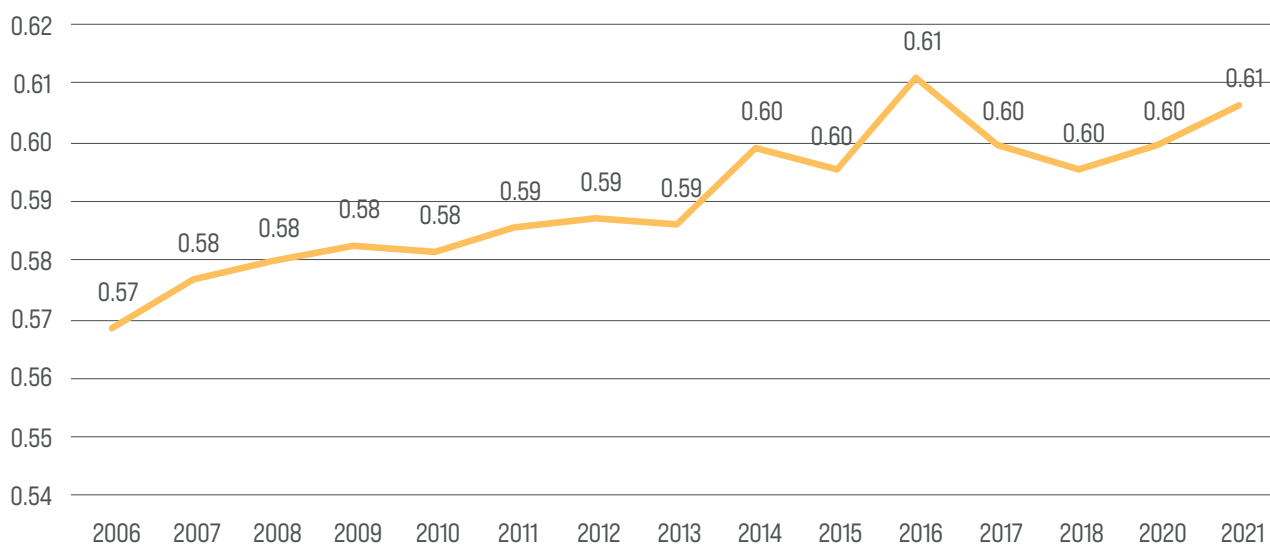
Of the 16 Arab countries covered in the Global Gender Gap Index,¹⁷ the Syrian Arab Republic and Yemen have ranked bottom since 2012. Since 2018, Iraq has joined the Syrian Arab Republic and Yemen among the lowest performing countries. These countries perform badly on the “economic participation and opportunity” subindex, in particular.

Figure 11. Gender gap closed to date by Arab country, 2021



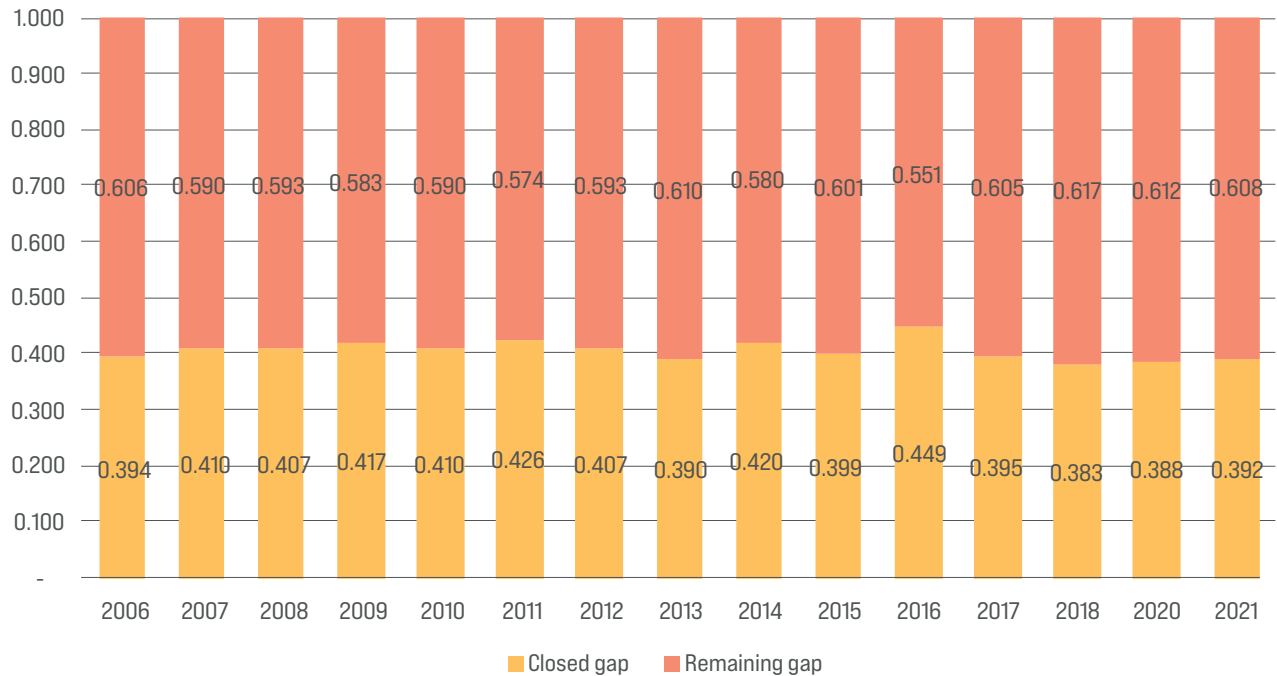
Source: Compiled by ESCWA based on data from World Economic Forum, Global Gender Gap Report, 2021.

Figure 12. Trends in overall closed gender gap in the Arab region, 2006-2021



Source: ESCWA calculations based on data from the global gender gap reports of the World Economic Forum.

Figure 13. Economic participation and opportunity subindex in the Arab region, 2006-2021



Source: ESCWA calculations based on data from the global gender gap reports of the World Economic Forum.

The Arab region has been the lowest performing group worldwide in the “economic participation and opportunity” subindex of the Global Gender Gap Index, which has affected its performance in the entire Index. Over the period 2006-2021, the region managed to close an average of 40.7 per cent of the gap in this subindex, which is relatively low compared with the global average of 58 per cent.

5. Inequality and climate change

Climate change disproportionately affects the poor and vulnerable in the Arab region. These populations are unable to equally cope with increasing temperatures, land degradation, water stress and climate change-related food shortages, and suffer the most from these climate change outcomes. Poor and marginalized populations are usually more exposed and vulnerable to floods, droughts and other natural

In 2018, the Arab region had a gap of 61.7 per cent in the “economic participation and opportunity” subindex, compared with 42 per cent globally. In 2021, the Arab region’s gap under the subindex reached 60.8 per cent compared with a 42 per cent gap globally. At this rate, the Arab region needs around 585 years to close the gap in this subindex, compared with 268 years globally.¹⁸

disasters, and have less capacity to recover when hit by a climate-related shock. Poor families are often forced to live in insecure flood prone areas, in poorly built housing, with restricted access to sanitary infrastructure. Small-scale farmers often face limited access to improved seeds, new technology and knowledge necessary to protect their livelihoods from climate hazards.

Heat waves also cause health problems such as dehydration and even death for poor and vulnerable populations, especially informal workers such as street vendors. Heat waves also result in power outages, which are a main driver of protests in several Arab countries, notably Iraq and Libya. Poor households with no access to alternative sources of energy are disproportionately affected, as they struggle to preserve food and access the Internet and other resources for study or work purposes. In general, even without energy shortages, inequality persists across the region between those who can pay expensive electricity bills and those who cannot.¹⁹ Furthermore, increasing temperatures exacerbate the spread of vector-borne diseases, including malaria, yellow fever and dengue fever, threatening the health of all in the region, especially the poorest who have limited access to adequate health-care services.

Climate change-related food shortages challenge the health and wellbeing of Arab populations, especially the poorest and most vulnerable. In 2019, around 51 million people in the region were chronically undernourished, mostly concentrated in conflict-affected countries and the region's refugee populations.²⁰ Given that changes in climate patterns lead to droughts and hotter temperatures, the region's ability to grow food will be

6. Multidimensional inequality

Inequality is both intersecting and multidimensional, and includes various interrelated social, economic, cultural and political factors that operate at all levels, which make it harder to measure and hence to reduce. It is usually the most vulnerable who face multiple forms of inequality, such as poverty, lack of quality education, and limited access to the formal workforce. These groups are often trapped in a vicious cycle of poverty, with inadequate opportunities to reduce their poverty because they suffer from various forms of inequality.

Despite the health and education gains achieved by the region, inequality in education between wealth groups,

limited, thus undermining food security. The region's heavy dependence on food imports also puts the poor and vulnerable at a disadvantage, as they struggle to keep up with global food price fluctuations.

Water stress is another outcome of climate change. The Arab region is already the most water-stressed region worldwide, thus undermining the "right to access water" for millions.²¹ About 90 per cent of the region's population, totalling around 382 million people, live in water-scarce countries.²² About 49 million people lack access to basic drinking water, and 74 million have limited access to basic sanitation services.²³ This inequality in access to basic service is not experienced by all. People living in rural areas are underprivileged compared with those living in cities, who have better access to water and sanitation services. For instance, 23 per cent (37 million) of people, in rural areas still lack basic drinking water services compared with only 6 per cent (13 million) in urban areas. The disparity is even greater for sanitation services, with 32 per cent (51 million) of people, in rural areas lacking basic services compared with 10 per cent (22 million) in urban areas. For example, in the Syrian Arab Republic, about half the water infrastructure was destroyed in the war, but it was rebuilt faster in urban areas than in rural areas, since urban settings attract more investment.

especially at the secondary level, remains among the highest worldwide. This indicates that progress is not adequately reaching the most vulnerable in the region, reflected in persistent and pervasive disparities resulting from adverse childhood experiences, early school drop-out, difficulties with literacy and numeracy, health problems, and discrimination and prejudice. People at the lower end of the social gradient are vulnerable, with a higher proportion becoming socially excluded. These people experience multiple forms of discrimination, stigma and disadvantage that accumulate and compound inequality.



In Tunisia, the following issues were mentioned as reducing children's opportunities in life: being born in poor health or with a disability (78 per cent), born into a family with low income (73 per cent), and being born into a family living in a rural area (65 per cent).

Source: Pathfinders, From Rhetoric to Action – Delivering Equality and Inclusion, 2021.

Population groups, such as older men and women, persons with disabilities and migrants, are most likely to face intersecting inequalities, especially in terms of limited access to basic services such as education and health. Disability increases with old age, and countries with higher shares of people over 65, such as Morocco, Oman and Yemen, have higher rates of disability at around 37 per cent. These groups also have limited spatial access and access to technology, especially e-services, meaning that they are more disadvantaged than other groups in the same country.

Persons with disabilities have restricted employment opportunities in the Arab region, which hinders their ability to have a sustained source of income source.

In nine Arab countries for which data are available, the unemployment rate for persons with disabilities is higher than that of persons without disabilities, especially among women with disabilities. A case in point is Saudi Arabia, where unemployment among women with disabilities is 75.3 per cent, which is 2.3 times higher than that of women without disabilities, estimated at 32.5 per cent.



In Jordan, 35 per cent of private sector institutions and 54.5 per cent of public sector institutions require that applicants be free from any disability or illness.

Source: ESCWA survey of the private sector.

The unemployment gap is also wide among men: the unemployment rate for men with disabilities is 48.6 per cent, compared with 11.5 per cent for men without disabilities.²⁴

Furthermore, persons with disabilities who are employed often suffer from low income and job insecurity, because they are in informal, irregular, temporary or part-time jobs. The exclusion of persons with disabilities from the labour market is a significant waste of potential, resulting in an estimated GDP loss of between 3 and 7 per cent.²⁵

Migrants are also affected by intersecting forms of inequality. The Arab region hosts more than 41.4 million migrants and refugees.²⁶ Migrants in most Arab countries do not have access to social protection systems and are unable to contribute to social insurance programmes. As a result, large numbers of migrants do not have pensions or health coverage in their old age, and are at heightened risk of income insecurity and ill health. These vulnerabilities contribute to increased multi-dimensional inequality.

COVID-19

From bad to worse

02 =



Key messages

01



The COVID-19 pandemic has highlighted deep and longstanding inequalities across the Arab region.

02



Although the region was already significantly unequal, the pandemic deepened and accelerated those inequalities, hitting the poorest and most vulnerable communities hardest.

03



The pandemic pushed an additional 16 million people into poverty, increasing the number of poor in the region to over 116 million, almost a quarter of the population.

04



People in the informal sector, vulnerable workers, women, young people, less-educated workers and persons with disabilities suffered the most from job losses during the pandemic.

05



Temporary informal sector labour accounted for the greatest proportion of net job losses in the Arab region in 2020. At the same time, workers with permanent jobs in tele-workable occupations were largely spared from unemployment, thus widening existing inequalities between those in the formal and the informal sectors.

06



The shift to online education widened educational inequalities and deepened existing gaps in access to technology and the Internet in the Arab region, where 48 per cent of households are without home Internet.

07



Aggregate working hours dropped by 10.3 per cent in the Arab region in the second quarter of 2020, compared with 2.1 per cent in the last quarter of 2019.

08



In many Arab countries, less than 25 per cent of older women have pensions because of their absence from the workforce in preceding decades. Their poverty was exacerbated by the pandemic.

COVID-19

From bad to worse

02



“You need some inequality to grow... but extreme inequality can be harmful to growth”

— Thomas Piketty

A. Pandemic of inequality in the Arab region

The Arab region was already significantly unequal, but the pandemic deepened and accelerated these inequalities. At the same time, existing social, political and economic inequalities amplified the impact of the pandemic. The outbreak of COVID-19 caused drastic changes in jobs, education, economy, welfare systems and social life in the region, hitting the poorest and most vulnerable communities hardest. It also revealed the fragile safety nets that left vulnerable individuals, families and communities bearing the brunt of the crisis.

What started as a health crisis quickly developed into a severe economic recession, followed by a social crisis that profoundly affected the lives of people in the region.

An additional 16 million people have been pushed into poverty, increasing the number of poor in the region to over 116 million, almost a quarter of the population.²⁷

Regardless of how it is measured, poverty in Arab countries was on the rise before COVID-19. However, the pandemic further exposed and accentuated existing structural deficiencies driving poverty and inequality in the region.

People in the informal sector, vulnerable workers, women, young people, less-educated workers and persons with disabilities suffered most from job losses during the pandemic. These workers often hold temporary or other types of non-standard working



Inequality kills

Globally, the wealth of the world's 10 richest men has doubled since the pandemic began, but the income of 99 per cent of people has dropped because of the COVID-19 pandemic. Widening economic, gender and racial inequalities, in addition to inequalities between countries, are tearing the world apart. This is not by chance, but by choice: "economic violence" is perpetrated when structural policy choices are made for the benefit of the richest and most powerful individuals. This causes direct harm to everyone else, especially the poorest groups, women and girls, older persons, and persons with disabilities. Inequality contributes to the death of at least one person every four seconds. However, economies can be radically redesigned to be centred on equality.

Source: Oxfam, Inequality kills – The unparalleled action needed to combat unprecedented inequality in the wake of COVID-19, 2022.

arrangements that are easily suspended when demand for labour falls. In addition, temporary workers in the informal sector and lower-paid blue-collar workers, who are more likely to work in sectors strongly hit by the pandemic, such as retail, agriculture, manufacturing, transport, tourism, hospitality and sales, did not have the opportunity to work from home, and were disproportionately impacted by job losses. Temporary informal sector labour accounted for the greatest proportion of net job losses in the Arab region in 2020. In contrast, workers with permanent jobs in tele-workable

white-collar occupational categories were largely spared from unemployment, thus deepening the digital divide and further exacerbating inequality.

The pandemic significantly increased unemployment and dramatically slashed workers' incomes in the Arab region. It also highlighted the vulnerabilities of young people and female workers in terms of job stability, social inclusion and welfare. Resolving the precarious position of Arab male and female young people is of paramount importance, because not prioritizing them in

the present provides little hope for their future in terms of social and economic prosperity. The International Labour Organization (ILO) estimated that working hours worldwide fell dramatically by 10.7 per cent in the second quarter of 2020 relative to the last quarter of 2019. This is equivalent to about 305 million full-time jobs. The Arab region was no exception. Aggregate working hours dropped by 10.3 per cent in the second quarter of 2020 compared with 2.1 per cent in the last quarter of 2019.²⁸

In the Arab region, micro, small and medium enterprises (MSMEs) in the informal economy were particularly vulnerable to the economic impact of the virus. Consumers were demanding and spending less, leading to decreasing revenues, liquidity problems, reduced output, and layoffs. Arab countries showed characteristics that made them more susceptible to deeper economic and social challenges compared with other countries, including dependency on the informal

sector for economic activity and employment, lower shares of tele-workable jobs, and higher numbers of informal sector workers. Reducing informality will help reduce inequalities in the long run through stronger social welfare safety nets, better enforcement of laws and policies, increased revenue yields, easily administered regulations, and enhanced economic growth.

The shift to online education and remote working during the pandemic also highlighted gaps in access to technology and the Internet in the Arab region. Educational inequalities were widened, as students in more economically vulnerable households and in remote rural areas often lacked the equipment and digital connectivity to complete schoolwork. Those who already had limited access to education, owing to their rural location, being poor or being displaced, faced more challenges and weaker access to online learning. It is estimated that about 48 per cent of households

“Despite the additional challenges that the COVID-19 pandemic brought to the region, it provides new opportunities for recovering forward better, and enabling a transformation in the modes of governance and in development operation and implementation. This required transformation is one premised on shared responsibility and societal solidarity that promotes responsible and effective partnerships for development, and strengthens social and economic solidarity, leaving no one behind in the pursuit of the SDGs.”

== == == == == Rola Dashti, Executive Secretary of ESCWA

in the Arab region are without home Internet.²⁹ This disparity varies between countries: Qatar has 100 per cent Internet coverage, while the Sudan has only 30 per cent. The digital divide also has a gendered aspect in the Arab region, with an Internet penetration rate of 58.5 per cent for men compared with 48.2 per cent for women in 2019. Insufficient Internet connection is usually linked to various other factors, including poor infrastructure and limited financial resources to pay for fast Internet needed to upload and download learning materials. The World Bank estimates that broadband becomes accessible and reliable when households spend between 3 to 5 per cent of monthly income on it.³⁰ This added financial burden came at a time when people in the Arab region were already facing loss of income and increased poverty, thus preventing them from investing in enhancing broadband connectivity and purchasing computers.

Inequalities made the pandemic more deadly, more prolonged, and more damaging to lives and livelihoods. Income inequality proved to be a stronger indicator than old age of whether a person would die from COVID-19.³¹ Extreme economic inequality is built into the current model of global capitalism, and the pandemic exposed the degree to which financial crises makes the rich richer. While Governments spent vast sums of public money propping up economies, a small group of private individuals profited enormously during the pandemic. At the start of the COVID-19 outbreak, billionaires collectively owned 2 per cent of household wealth worldwide. By the end of 2021, they owned 3.5 per cent. In the Arab region, the average government fiscal stimulus as a share of regional GDP was nearly 4 per cent, which is less than half the global average fiscal stimulus of 11 per cent of GDP. The fiscal stimulus of developing countries and LDCs was significantly lower than that of developed countries, which threatened their pandemic recovery. In the Arab region, 5 of the top 10 fiscal stimulus announcements, relative to GDP, were from GCC countries. Almost 11 per cent of the announced

fiscal stimulus was targeted at people through social protection and health-related measures, and nearly 40 per cent went to supporting SMEs and businesses in the Arab region.³²

Despite progress made in the past two decades, the region is still below the global average in many health-related areas. The pandemic exacerbated this situation, with significant disparities between Arab countries. In 2017, average life expectancy at birth was 71.6 years (73.5 years for women and 69.9 years for men) in the region, compared with 72.4 years globally (74.7 years for women and 70.2 years for men). In the same year, stunting decreased by 6 percentage points in the region compared with 10 percentage points worldwide. Moreover, health expenditure ranged from 2.6 per cent of GDP in Qatar to 8.2 per cent in Lebanon, while some countries witnessed a reduction such as the Comoros that decreased its expenditure from 12.2 per cent of GDP in 2000 to 7.4 per cent in 2017.³³ The Arab region also suffers from a shortage of hospital beds: there are only 1.3 hospital beds per 1,000 people compared with 2.9 globally. Moreover, in 2017, the number of physicians per 10,000 people in the region stood at 1.1, and the number of nurses and midwives at 2.2,³⁴ which is far lower than the 44.5 skilled health workers (doctors, nurses and midwives) per 1,000 people needed to reach the SDG threshold.³⁵

The roll-out of the COVID-19 vaccines is a prime example of inequality in health care. COVID-19 vaccine inequity could potentially have a lasting and profound impact on socioeconomic recovery in lower-middle and low-income countries. In the Arab region, vaccination rates in the United Arab Emirates, Qatar and Kuwait (all high-income countries) stood at 93.1, 75.7 and 71.1 per cent, respectively, compared with 1.1 per cent in Yemen and 8.7 per cent in Djibouti as at 31 January 2022.³⁶

The pandemic also exacerbated existing inequalities between social groups, such as persons with disabilities,

migrants and older persons. For example, health budgets were redirected towards dealing with the COVID-19 emergency, meaning that non-pandemic-related medical services for persons with disabilities were negatively affected. Consequently, close to 60 million people living with one or more disabling conditions in the Arab region suffered disproportionately. In addition, migrants, who represent 40 per cent of all workers in the Arab region, did not have equal access to health services, and were more at risk of losing their jobs.

Furthermore, there are 32 million older persons in the Arab region whose pre-existing inequality has further deteriorated owing to the pandemic. The absence of universal or comprehensive old-age pensions and health insurance in most Arab countries forced many older persons to become more financially dependent on family members, who may already be poor or slipping into poverty as a result of the pandemic's economic impact, thus making older persons even more vulnerable. Moreover, older persons working in the informal sector, and depending on daily wages, were hard hit by the pandemic and its consequent lockdowns. These people

have little savings and limited safety nets to fall back on when they find themselves suddenly out of work.

The pandemic also led to increased inequality for women, since they were the main care providers during the outbreak in the region. For example, in Egypt, women comprised 90 per cent of nurses. However, working as care providers during the pandemic did not reduce women's engagement in unpaid care work at home. On the contrary, due to a shift to online learning, women spent more time on unpaid care work, conservatively estimated at 4.7 more time than men.³⁷ This situation, coupled with a larger number of women affected financially owing to lost or reduced income, increased their risk of falling into poverty, especially female headed households. The following two factors exacerbated female inequality. Firstly, the sectors mostly affected by the pandemic, such as manufacturing and service industries, feature a high number of women workers. Secondly, ESCWA estimates that 61.8 per cent of working women are in the informal sector, which was the most affected by lockdown measures.³⁸

B. Government responses

While the pandemic hit Arab countries with varying intensity, responding to the crisis presented unparalleled challenges to Governments. One of the pandemic's paradoxes is that it was both completely global and intensely national. On the one hand, the virus spread across national borders with unprecedented rapidity. On the other, many people looked first and foremost to their national governments for leadership and reassurance. The pandemic highlighted Governments' performance in response to the crisis, and brought structural and social issues to light, including the issue of public trust in Government.

Furthermore, the pandemic underscored vulnerabilities in national administrations, business operations and supply chains. It was also an important turning point, which offered a window to reform economic and social policies in the region. The crisis emphasized the importance of government services, the private sector, technology and e-governance, working together to offer practical policy solutions to address the situation.

Arab Governments rolled out emergency social protection measures to soften the short-term effects of the crisis, and to initiate a faltering economic recovery.

However, this process was also unequal among Arab countries owing to their varied fiscal capacities and ability to rapidly reach the most vulnerable. Prior to the pandemic, most Arab countries already had social protection systems in place, which had been developed in recent years. When the COVID-19 crisis hit, these social protection systems were mobilized to deliver additional support using a variety of approaches. Social assistance constituted 50 per cent of social protection interventions during the crisis, which were most prevalent in the Arab LDCs, accounting for 62.5 per cent of social protection-related support. In comparison, GCC countries comprised the highest share of active

labour market programmes. Countries with limited fiscal space relied on measures such as reducing government fees and housing subsidies, which constituted forgone government revenues rather than cash assistance from the treasury. Oil-importing countries focused their spending on health and targeted social transfers, while oil-exporting countries prioritized temporary tax reductions, extended payment deadlines, and increased spending on schemes such as partial salary payments to preserve jobs. These various schemes had differing effects on vulnerable groups, which were sometimes insufficient to ease the financial repercussions for already underprivileged families.

C. Social protection in Arab countries before COVID-19

In the years leading up to the pandemic, many Arab countries embarked upon ambitious reforms to make their social protection systems more sustainable and equitable.³⁹ Doing so had become crucial as existing arrangements were extremely costly to maintain, and tended to aggravate rather than reduce inequalities. Some Arab countries had relied heavily on general subsidies for decades, especially for energy products such as petroleum and electricity. Since they covered the entire population, these subsidies largely benefitted the rich more than the poor. A 2014 IMF report found that in Egypt, Jordan and Lebanon, 86, 58 and 38 per cent, respectively, of petrol subsidies accrued to the richest quintile, and only 1, 8 and 5 per cent, respectively, to the poorest quintile.⁴⁰

Meanwhile, only a relatively small portion of Arab populations were covered by contributory social insurance. In many countries, this portion declined during the 1990s and 2000s owing to increasing economic informality. For instance, in Algeria, the

proportion of salaried workers with social insurance coverage dropped from 89 per cent in 1992 to 67 per cent in 2012.⁴¹ Workers on lower incomes are generally much less likely to be covered by social insurance than those on higher incomes. For example, by 2018 in Egypt, coverage of private sector wage workers ranged from 7 per cent in the lowest wealth quintile to 27 per cent in the highest one.⁴²

Key objectives of the reforms undertaken prior to the pandemic were phasing out general subsidies, and ushering in social assistance targeted to the poor, often in the form of cash transfers. In Egypt, for instance, spending on fuel subsidies fell from 6.8 per cent of GDP in 2012/2013 to 0.3 per cent in 2019/2020.⁴³ Meanwhile, the country established a new flagship cash transfer programme, *Takaful and Karama* (Solidarity and Dignity), which by late 2019 had expanded to cover more than 2 million beneficiaries. This programme is aimed at poor households using appropriate targeting mechanisms. An evaluation of the *Takaful* component showed that 46

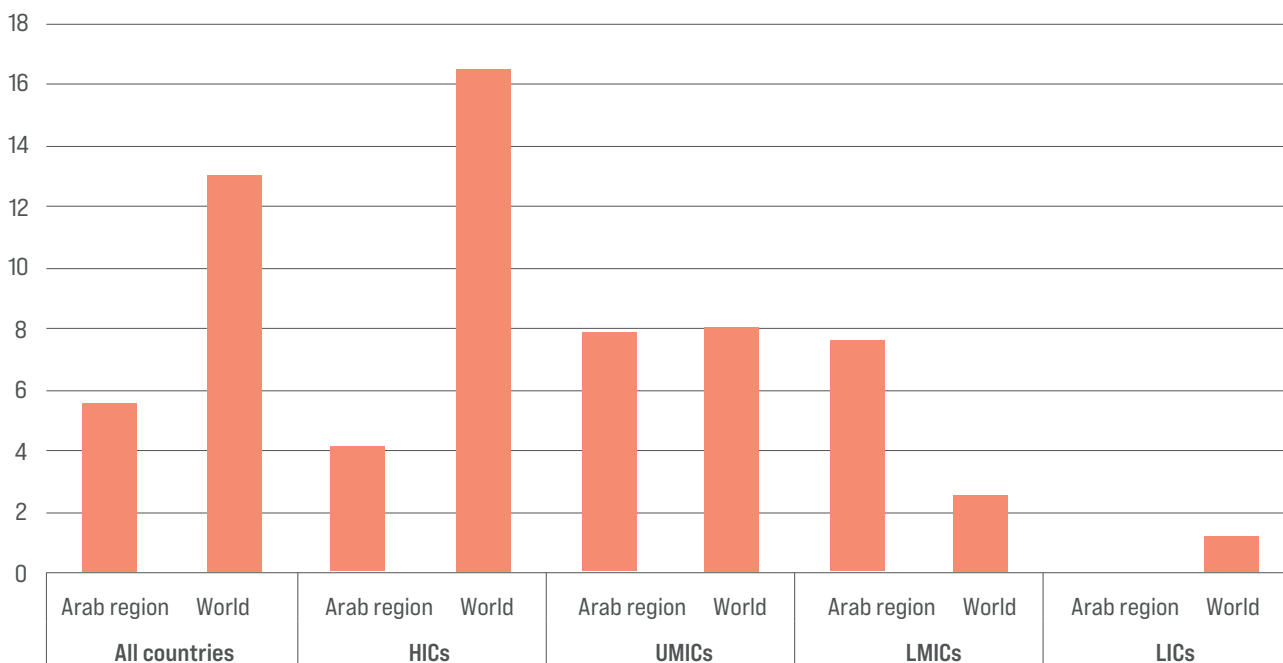
per cent of total benefits went to the poorest quintile. Programmes of this sort have been launched or scaled up in many other countries, including Jordan, Lebanon, Mauritania, Morocco, the Sudan and Tunisia.⁴⁴

Nonetheless, social protection spending has remained relatively low in Arab countries (figure 13). ESCWA analysis indicates that the region's total expenditure on social protection (excluding health) in recent years was approximately 5.4 per cent of GDP.⁴⁵ Arab high-income countries (HICs) spent significantly less on social protection (4 per cent of GDP) than HICs worldwide (16.4 per cent of GDP on average). In contrast, social protection spending in Arab upper-middle-income countries (UMICS) was 7.8 per cent, which is almost the same as the average for this income group at the global

level (8 per cent). Meanwhile, Arab lower-middle income countries (LMICs) spent on average fully three times more (7.5 per cent) than LMICs worldwide (2.5 per cent).⁴⁶

Social protection coverage differs among men and women in the region, despite the positive change witnessed recently. For example, the gender distribution of old-age pensioners covered by social insurance schemes has been systematically low for women when compared with men. According to available data in four Arab countries, old women covered by pensions ranged between 14 per cent in Tunisia, 17 per cent in Jordan, 37 per cent in Kuwait, and 25 per cent in Bahrain, compared with 86, 83, 63 and 75 per cent, respectively, for men. This is largely a consequence of women's absence from the workforce in the preceding decades (figure 15).

Figure 14. Total expenditure on social protection (excluding health), 2020 or latest available year (Percentage of GDP)



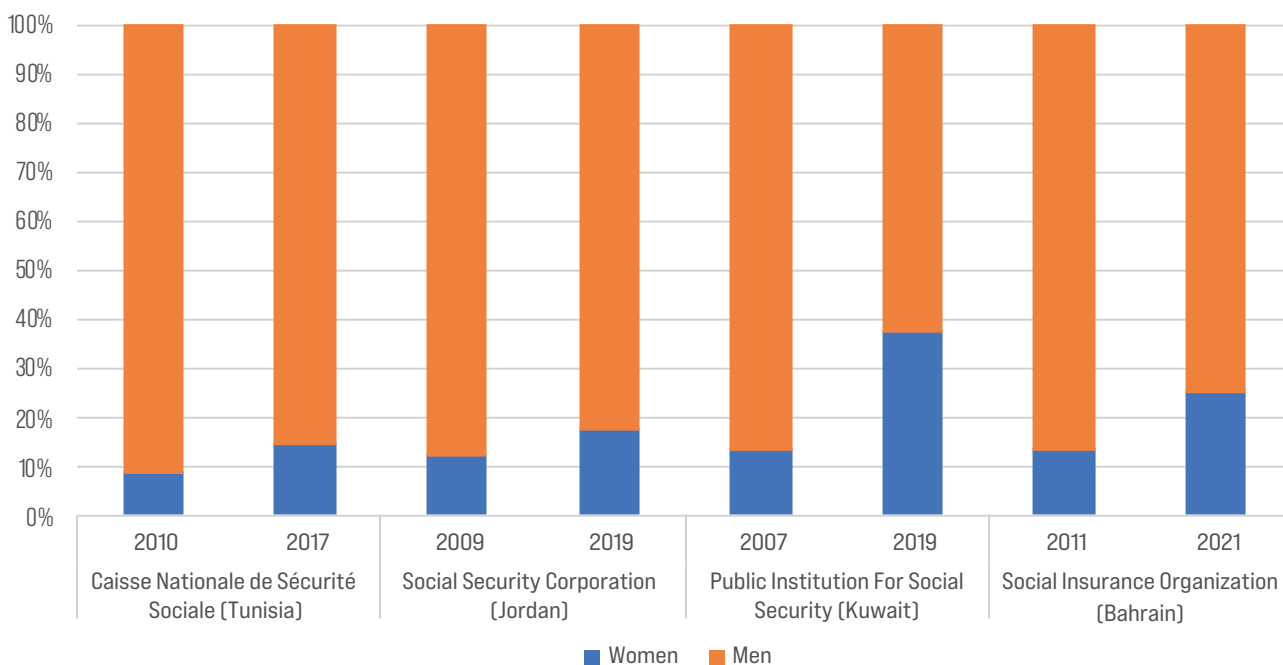
Source: ESCWA calculations based on World Social Protection Data Dashboards.

The situation is different for non-contributory social insurance, with female beneficiaries frequently outnumbering male beneficiaries, as shown in figure 16. Consequently, older women are less covered by pension schemes owing to their absence from the labour force, meaning that they receive more social assistance to compensate for their limited access to opportunities and wealth.

Furthermore, the reforms undertaken by Arab countries were not necessarily always successful in reducing inequality. Efforts to target the poorest, and thereby prevent "leakage"

of social assistance to the non-poor, has always generated a certain degree of exclusion errors. Moreover, poverty targeting risks undermining political support for social assistance among the middle classes, potentially affecting the viability of funding and thus the adequacy of support provided. In the words of Amartya Sen: "Benefits meant exclusively for the poor often end up being poor benefits".⁴⁷ The Pathfinders Global Report notes that the Mexican programme *Prospera* was recently suspended largely because of the unpopularity of its exclusive targeting of poor households among middle-income voters.⁴⁸

Figure 15. Gender distribution of old-age pensioners in selected social insurance organizations



Source: The sources are annual and statistical reports of the different social insurance organizations, as follows:

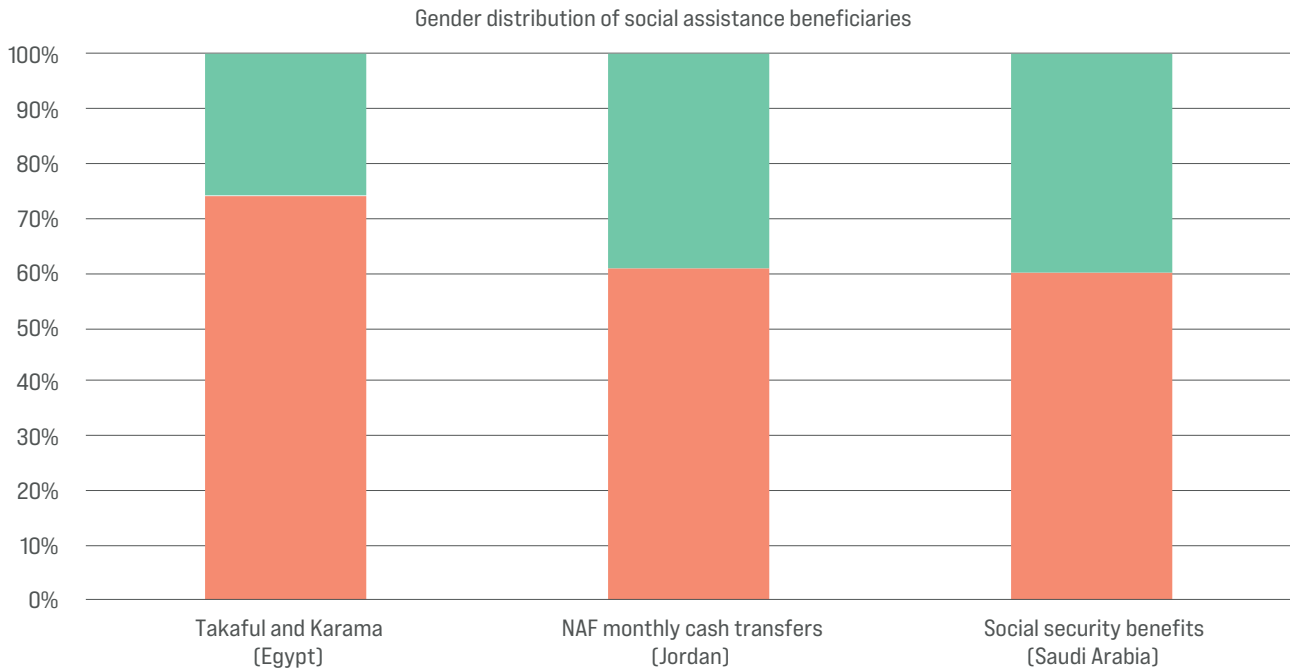
Tunisia: Caisse Nationale de Sécurité Sociale (undated) – Annuaire Statistique.

Jordan: Social Security Corporation (undated) – Annual Report 2009, Social Security Corporation (undated) – Annual Report 2019.

Kuwait: Public Institution for Social Security (2007) – Annual Statistical Collection; Public Institution for Social Security (2019) – Annual Statistical Collection.

Bahrain: Social Insurance Organization (undated) – Statistical Report 2011 – Quarter 4: Civil & Private Sector, Social Insurance Organization (2021) – Statistical Report 2021 – Quarter 1.

Figure 16. Gender distribution of social assistance beneficiaries



Source: Compiled by ESCWA.

Consequently, while poverty targeting may in theory seem an effective way of reducing poverty, it does not necessarily reduce inequalities, since this outcome may fail to materialize in practice for technical and economic reasons. In addition, while targeted programmes often aim to cover the poorest 10-20 per cent of the population, the proportion who are vulnerable to a covariate shock (unexpected adverse events that affect large shares of the population) is considerably higher. In most low- and middle-income Arab countries, despite efforts to expand contributory social insurance,⁴⁹ a majority of workers still operate in the informal economy. These workers are frequently not deemed poor enough to be eligible for targeted social assistance, and thus make up a "missing middle" not covered by

“Social protection needs to go hand-in-hand with a progressive taxation system to bridge the gap between the “haves” and “have nots”.”

contributory or non-contributory social protection. The extreme precariousness of this group was starkly exposed by the COVID-19 crisis.

D. Social protection in Arab countries during COVID-19

When the pandemic struck, many Arab countries were in the process of reforming their social protection systems. These reforms largely sought to scale back costly and inequitable subsidies and replace them with alternative social assistance measures, especially cash transfers, targeted to the poor. Several countries were also trying to expand coverage of contributory social insurance, but economic informality remained commonplace across the region.

To tackle the pandemic, Arab Governments had to swiftly change gear to ensure fiscal support for those without any form of social protection. Within the first six months of the pandemic, 189 new social protection measures were introduced. By September 2021, the total fiscal response to the COVID-19 crisis in the Arab region was \$94.8 billion, which was equivalent to approximately 2 per cent of the region's GDP in 2020. This is considerably low compared with the global average fiscal response to the pandemic, which was 22 per cent of GDP. However, of this \$94.8 billion total fiscal response in the Arab region, an impressive 18 per cent was allocated to various forms of social protection programmes, such as cash transfers. In relative terms, this is double the global average of social protection spending as a share of the total fiscal response, which is estimated to be just 9 per cent.

Moreover, the pandemic exposed both the strengths and weaknesses of existing social protection systems. While recent pre-pandemic reforms had aimed to identify the poorest and thus to reduce leakage of resources to the non-poor, they did not offer adequate protection for the large section of informal workers who were not covered by social insurance because they were deemed not poor enough to qualify for social assistance. These workers, who rarely have the option to telecommute, were often the most severely impacted by lockdowns and the economic downturn. At the same time, the pandemic revealed social protection systems' capacity to scale up relatively quickly, even in an extremely challenging context. In many countries, the introduction

of poverty-targeted cash-transfer programmes coincided with the establishment of social registries containing data on potential beneficiaries. When the pandemic struck, Governments could select additional beneficiaries directly from these registries, without having to initiate a cumbersome targeting process. In Egypt, for instance, around 800,000 new Takaful and Karama beneficiaries were added between February and November 2020. In addition to enlarging the scope of existing social assistance programmes, Governments set up new temporary schemes often directed specifically to informal workers. For example, in Jordan, the Takaful II scheme provided cash transfers to almost 250,000 households of informal workers during the crisis.

The impact of the pandemic has been far-reaching and has touched every aspect of development. With the poor and vulnerable bearing the brunt, the pandemic impeded efforts to reduce inequality, end poverty, and boost shared prosperity. Nonetheless, the recovery from the devastating consequences of the pandemic in the Arab region provides fresh opportunities for practical solutions to reduce inequalities. There are urgent demands for policies and actions to systematically address inequality and exclusion and to demonstrate that change is possible, despite the longevity and perceived intractability of the situation. Short-term policies were introduced to protect the disadvantaged and the vulnerable from the health, economic and social impacts of the crisis. Now, medium- to long-term policies must address the deeper structural drivers of inequality.

Reducing economic and social inequalities in the aftermath of the pandemic is vital to building societies that are resilient to major shocks. This enhanced resilience, with stronger social protection systems that leave no one behind, is critical for the Arab region, which faces the challenge of boosting economic activity under the Fourth Industrial Revolution while working towards a climate-neutral economy.

Challenges posed by inequality

03



Key messages

01



The factors driving inequality in the Arab region include demographic dynamics, poor education, digital divides, weak institutions, corruption and lack of transparency, data deficits, and unaffordable housing.

02



Around 51 million people in the Arab region are suffering from undernourishment, with an alarming increase in the “triple burden of malnutrition” consisting of undernutrition, overweight and obesity, and many suffering from micronutrient deficiencies.

03



Spatial disparities are wide in the region, with 75 per cent of those living in extreme poverty residing in rural areas.

04



High inequality of opportunities in education is determined by family circumstances, including parental income, educational attainment, and community characteristics.

05



Access to education is affected by low fixed-broadband penetration, which stands at 8.8 per cent, compared with a world average of 12.1 per cent.

06



The region has an average score of 32 out of 100 in the Corruption Perceptions Index.

07



Gradual demographic shifts in Arab populations towards larger shares of older persons may widen the gap between those who have pensions (men) and those who do not (women).

08



Corruption can increase inequality, especially with regard to decisions on income distribution, the use of aid, and public spending on health and education.

Challenges posed by inequality

03



“The true measure of any society can be found in how it treats its most vulnerable members.”

— Mahatma Gandhi

A. Inequalities in access and opportunities

Inequality of opportunity is defined as inequality resulting from differences in circumstances, such as parental characteristics, household wealth, place of birth and gender. Inequality of opportunity relates to the ability to partake in a healthy economy, to access basic goods and services, to access meaningful employment, and to enjoy equality of treatment. Poor or limited access to opportunities can be viewed as both a cause and a consequence of inequality. For example, people who are deprived of education have less opportunities to find decent jobs. Moreover, those who are in the informal sector or unemployed are less likely to receive quality education or training opportunities.

The place where people are born and live also has a lasting influence on their lifelong opportunities, including access to safe drinking water, electricity, health care, good schools, and decent work. Spatial disparities are generally wide in all countries, with urban populations considerably better off than rural populations. Spatial disparities promote intergenerational inequality owing to limited opportunities and the concentration of poverty in certain underserved neighbourhoods, which reinforces the mechanisms that perpetuate disadvantage. Spatial disparities are also associated with income inequality, and can lead to higher poverty concentration. In a world with high and growing levels of urbanization,

tackling inequality depends largely on what happens in cities. The urban advantage in terms of innovation and opportunities for social mobility may not be sustained if development and urban planning policies neglect equity concerns.⁵⁰

In addition, members of certain social groups suffer from particular disadvantages. Women and girls often experience greater disadvantages than men belonging to the same social group. The gap between indigenous peoples and members of the general population in

income poverty, education and health indicators is large, and has grown over time. Persons with disabilities continue to suffer from a higher-than-average chance of falling into poverty. As a result, people in vulnerable situations experience worse health and education outcomes, have limited access to the labour market, and experience poverty at disproportionately high rates. Inequalities in terms of access and opportunities across these various dimensions are mutually reinforcing, and create inequality traps that persist across generations and drive the poverty cycle.

B. Regional drivers of inequality

1. Demographic dynamics

The inequalities facing the Arab region are compounded by the dynamics of its demographic situation. The region's population has more than tripled since 1970, expanding from 123.5 million to 398.5 million in 2015. The region's population is expected to grow further to 520.8 million by 2030, and to 676.3 million by 2050. During the period 1970-2015, the number of older persons increased almost fourfold, from 7 million to nearly 27 million. This demographic trend is expected to continue as the population aged 60 and above is projected to reach 49.6 million in 2030, and exceed 102 million by 2050.⁵¹

The Arab region is currently experiencing a historic demographic change from a society with high fertility and mortality rates, to one with reduced fertility and mortality. This important change is leading to a gradual shift in the population's age structure towards a greater proportion of older persons and a smaller proportion of children and young people, resulting in

population ageing.⁵² This change in population structure could heighten inequality among different social groups. The increased number of old men and women could widen the existing gap between those who have pensions and those who do not. Since the majority of those covered by pensions in the region are men, this will exacerbate gender inequality.

Unprecedented flows of international migration to the Arab region are also changing population structures. The region hosts over 40 million migrants and refugees, and around 17 million internally displaced persons. At the same time, over 29 million people from Arab countries are living outside of their countries of origin.⁵³ Such demographic and migration dynamics exacerbate the challenges of reducing inequalities, and place enormous pressure on the region's resources.



“Education is the great engine of personal development. Improving productivity and spreading prosperity crucially depends on enhancing people’s education and skills, by ensuring access to good schools, quality education and skills training for all.”

== == == == == Nelson Mandela

2. Poor education

Equity in education requires that education systems provide equal learning opportunities to all students. It does not mean that all students should obtain equal education outcomes, but rather that differences in their outcomes are unrelated to their background or to economic and social circumstances that they cannot control. Equity in education also demands that students from different backgrounds are equally likely to earn desirable post-secondary education credentials, such as technical certificates and university degrees, which make it easier for them to succeed in the labour market and to realize their full potential as members of society.

Inequality in education attainment (number of years of schooling) remains higher in the Arab region than in any other region globally, and varies significantly between rich and poor Arab countries.⁵⁴ Furthermore, the pandemic severely disrupted education in the region. The majority of learning institutions were closed for several months, affecting the education of more than 110 million students.⁵⁵ Despite significant efforts by Arab Governments to ensure education continuity, many students could not access remote learning programmes. Around 70 per cent of

students cut-off from education were in rural areas and were falling further behind urban peers, thus increasing inequalities and disparities in the region.

Inequality of opportunity in accessing education is also determined by gender and geographical distributions. Arab girls are three times more likely to be out of schools than boys.⁵⁶ Moreover, the share of young women who are not in education, employment or training is 73 per cent in Yemen, 49.5 per cent in Egypt, and 32.2 per cent in Jordan.⁵⁷ In Yemen, the probability of attending secondary school for Yemeni girls from poor illiterate families living in rural areas is only 4 per cent, compared with 99 per cent for richer girls living in urban areas. Similarly, young people from the most advantaged background in Egypt are 97 per cent likely to attend university, compared with only 9 per cent for young persons from the most vulnerable background. These data show that the high degree of inequality of opportunity in education in the region is largely predetermined by family circumstances, including parental income, educational attainment, and community characteristics.

3. Digital divide

The digital divide plays a role in widening the inequality gap in the Arab region. During the pandemic lockdowns, most Arab countries pursued digital solutions, including virtual schooling, online conferences, remote work, e-commerce, online public services and telemedicine. However, these initiatives widened inequality owing to many people's limited access to affordable Internet. Resorting to these digital solutions was further hampered by low fixed-broadband penetration, which is 8.8 per cent in the region compared with the world's average of 12.1 per cent.⁵⁸

The digital divide risks perpetuating existing social, cultural and economic inequalities. The gender gap in global Internet use is an example: in two of every three countries, more men use the Internet than women. Rural women are at a particular disadvantage, given that they

face more obstacles to accessing training and education than rural men or women in urban areas.

The digital divide is also evident among countries in the Arab region. GCC countries mainly face challenges related to the development of integrated applications and services that would enable them to benefit from their well-developed technology infrastructure. In these countries, innovation ecosystems are advanced, and several technology incubators have been established. In contrast, middle-income countries still face issues in technology infrastructure and the provision of related services. Least developed and conflict-affected countries suffer from destroyed or limited-performance infrastructure.

“Globally, product innovation has resulted in new technologies in the workplace that favour more educated workers. In response, employers have increased demand for more educated workers who complement the new technology. The result is that the wages and employment of the more educated has risen relative to their less-educated counterparts. This bias is further skewed by process innovations which have led to increased mechanization, such as those on factory lines and supermarkets, resulting directly in job losses.”

== == == Faiza Shaheen, 2022

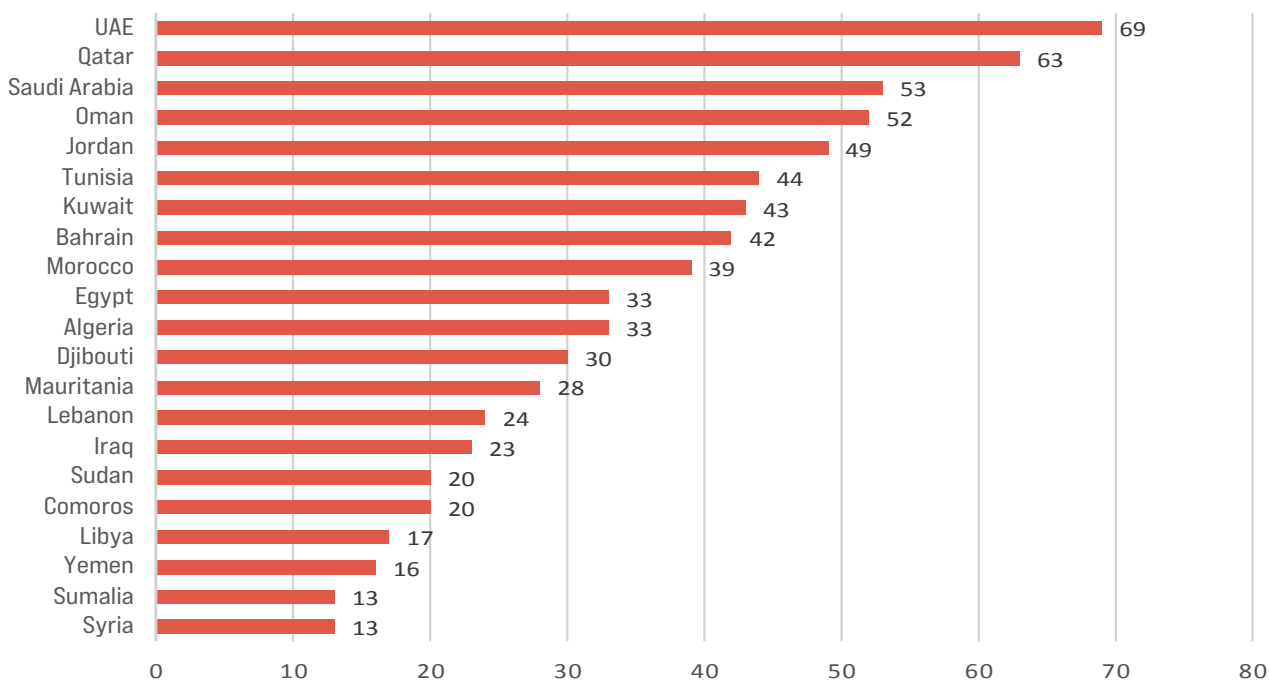
4. Weak institutions

Strong institutions are needed to strengthen gains in human capital, which can be transferred to employment opportunities, which in turn leads to poverty reduction. In contrast, weak institutions can lead to high polarization of social preference and limited government capacity to respond to shocks, and can hamper the State's ability to efficiently provide services. Furthermore, weak institutions may also impede economic growth by undermining investor confidence, restricting job creation, and eroding public trust in the State and its institutions.⁵⁹ Weak institutions are often associated with a governance deficit, stemming from the insufficient growth of political and institutional systems that allow for responsive and accountable public governance, and enable progress towards inclusive sustainable human development.

Reducing inequalities requires reasserting the role of the State as the fundamental guarantor of equal economic and social rights, and implementing economic and social policies to equitably redistribute resources. This is first and foremost a political process. At the national level, it necessitates structural changes and systemic economic, social, institutional and legal reforms to end all forms of discrimination. Supportive international structures and global mechanisms must also be established.

Experience shows that public policies play a key role in reducing the structural sources of inequality, and in creating the basis for sustained and equitable economic growth and social progress. Public investments towards universal provision of quality education and basic health, in particular, contribute to the reduction of poverty and inequality. The

Figure 17. Corruption Perception Index in Arab countries, 2021



Source: ESCWA calculations based on Transparency International Data.

experience of countries where inequality has declined provides valuable lessons on the importance of broad and coherent economic, social and other sectoral policies, and the need to forge political consensus on tackling rising inequality.

Breaking the cycle of inequality also requires inclusive economic, social and political institutions that are responsive to the needs of people, and that promote their active participation in decision-making processes. The 2030 Agenda for Sustainable Development emphasizes that the SDGs and their targets must be met for all

5. Corruption and transparency

Corruption, lack of transparency and inequality are mutually reinforcing. Corruption can increase inequality, especially with regard to decisions on income distribution, the use of aid, and public spending on health and education. Inequality can directly result from corruption, because the resources and benefits of economic growth may be distributed to people who are supportive of political elites, often at great expense to the general public.⁶¹ Moreover, inequality helps foster corruption and facilitates people's engagement in corrupt acts, such as bribes. It is estimated that one standard deviation point increase in corruption can result in a 7.8 per cent annual reduction of income for the poor.⁶²

segments of society, and that special attention should be given to the needs of people in vulnerable situations, including all children, young people, persons with disabilities, people living with HIV/AIDS, older persons, indigenous peoples, refugees and internally displaced persons, and migrants.⁶⁰ In addition, the voices and concerns of women and girls must be reflected across all the SDGs and their targets, as gender inequalities are often deeply embedded in the fabric of Arab societies.

The Arab region is struggling to combat corruption, with an average score of 32 out of 100 in the 2021 Corruption Perceptions Index,⁶³ which ranks countries by their perceived levels of public sector corruption, as determined by expert assessments and opinion surveys.

While Qatar and the United Arab Emirates have made significant strides in combatting corruption, other countries continue to lag behind with scores as low as 13 in Somalia and the Syrian Arab Republic, 16 in Yemen, and 17 in Libya (figure 17).



Around 41 per cent of men and 37 per cent of women in Lebanon think that combatting corruption is central to enhancing equality in their country.

ESCWA survey, 2022

Many Arab countries have not yet adopted access to information laws, which are crucial for open government. There is a need for appropriate institutional mechanisms to ensure the implementation and enforcement of information laws. Furthermore, few Arab countries have developed initiatives to encourage citizen participation and engagement. Stakeholder involvement, consultation and participatory approaches in government policy and service delivery initiatives are also weak in many Arab countries.

6. Data deficits

The Arab region lacks reliable data on inequality. Economic growth numbers are published annually by Arab Governments, but they do not indicate how growth is distributed across the population: who gains and who loses from existing economic and social policies. Providing such data is critical for public policy formulation. Beyond income and wealth, such data are also necessary to improve the collective capability to measure and monitor other dimensions of socioeconomic disparities, including gender and environmental inequalities. The lack of open-access, transparent and reliable inequality information across the region is a serious impediment to reducing inequalities, and results in an underestimation of the actual level of inequality and its risks to individuals and societies.

Perspectives on inequality – what it is, how it is evolving, and how to address it – are polarized. In some cases, even the data sources and metrics used to support arguments are contested. There is a lack of consensus about the extent of inequality, how it is measured, and what levels of inequality are tolerated. For example, it is not possible to assess the relationship between income inequality and mortality in the region, because Arab countries do not reliably report income inequalities, and available data exclude the most vulnerable populations

Lack of transparency is another issue affecting inequality. The absence of public access to quality, regular and accurate data on the distribution of income and wealth hinders debate on economic matters and public policies.

Open government is key to achieving transparency and accountability in the region, and to ensuring the implementation of the 2030 Agenda. Open government has a positive potential impact on economic growth.⁶⁴ Many Arab countries underperform in this area compared with countries outside the region with similar levels of economic development.

and are geographically disaggregated. In the absence of cross-country data, local studies have shown that health insurance schemes (protecting against life-cycle risks) favour the urban middle class in many Arab countries. While the poorest of the poor are frequently covered by cash transfer schemes and/or other social assistance approaches, other vulnerable groups like those working in the informal economy are not covered by any social protection programme in most Arab countries.⁶⁵

Moreover, it is difficult to obtain reliable data on people employed in the informal sector, who are largely excluded from social protection schemes. In an



analysis conducted before the 2010 popular uprisings, the informal sector employed 40-50 per cent of workers in Algeria, Egypt, Morocco and Tunisia, and more than 20 per cent of workers in the Syrian Arab Republic.⁶⁶ Mortality cannot be disaggregated on the basis of inclusion in social protection, thus it is not possible to assess the effect of these exclusions on mortality.

The Arab region has been struggling to produce periodic income and wealth data that are essential to measuring inequality. The Inequality Transparency Index that assesses the availability and quality of information on income and wealth in a given country shows that Arab countries rank low. Three out of the 22 Arab countries have a score of 0. These countries have not produced any data in the last 10 years on the following four dimensions that constitute the Index: income surveys, income tax data, wealth surveys and wealth tax data. Seventeen countries have a score ranging between 0.5 and 2.5, which means that they only produced income

survey tabulations (with varying quality and frequency). Only two countries score 3, indicating more detailed income data.⁶⁷

Data on poverty are usually derived from indicators collected at the household level, which makes it difficult to measure poverty among certain population groups, such as women, persons with disabilities and migrants. Consequently, subsequent social policies based on these household surveys tend to be gender and disability blind, as they do not take the needs of those groups into consideration.

Data flows to national statistical offices in the region are not smooth, resulting in gaps and discrepancies in national data series. Moreover, national statistical offices do not capture data flows from administrative sources in all cases. There is therefore a need for more refined country data, and for studies on trends in income inequality and wealth inequality across the region.

C. Policies to deliver equality and inclusion: practical roadmap

The present section follows the same method as the Pathfinders flagship global report.⁶⁸ It identifies possible policies under the following three categories: policies that deliver visible impact, policies that promote

solidarity, and policies that secure credibility and trust. It also indicates potential implementers, and possible methods of implementation and funding.

Recommended policy	Policy category	Why	Who	How	Possible tools and support
Introduce a solidarity tax	Promote solidarity.	<p>The proposed solidarity wealth tax is aimed at the wealthier sections of society to finance programmes targeting the most vulnerable groups in Arab countries.</p> <p>The solidarity tax may encourage investment in technology and innovation in the long term.</p>	Governments (ministry of finance) and parliament, with support from international organizations and academia.	<p>Support from experts.</p> <p>Ministry of finance can conduct a feasibility study.</p> <p>Ministry of finance can make policy proposals, and prepare a related law for parliament to endorse.</p> <p>The legal process.</p> <p>Depends on country specificities.</p>	ESCWA and other specialized agencies can provide in-kind technical support for a feasibility study.
Enhance public services	Deliver visible impact.	Ensuring efficient public services like health clinics, hospitals, schools, transport, water, and sanitation would provide essential services for the population, as well as much-needed employment.	The Government's specialized ministries and agencies, with the support of development partners.	An assessment of public services and programmes is needed to address weaknesses and reinforce strengths.	ESCWA can provide in-kind technical support to utilize its practical tools, like the ESCWA Social Justice Policy Gap Assessment Tool.
Expand employment opportunities	Deliver visible impact.	Employment provides the best means of reducing poverty; however, the market cannot be relied on in a passive manner to create quality sustainable jobs.	The Government's specialized ministries and agencies, with the support of development partners.	The Government's concerned entities, in collaboration with the private sector, need to embrace innovation and technological change, support SME productivity, enhance skills, develop and attract talent, increase participation in the labour force, expand apprenticeship and traineeship provision, and facilitate the transition to a low carbon economy.	ESCWA can provide in-kind technical support to utilize its practical tools, like the ESCWA Skills Monitor.

Recommended policy	Policy category	Why	Who	How	Possible tools and support
Promote gender equality and the empowerment of women	Secure credibility and trust.	At the current pace, it would take 142 years to reach gender parity in the Arab region. Inequality will always prevail as long as gender equality is unattainable.	Government concerned entities and parliament, with support from international organizations and academia.	Improved data collection, statistics and analysis on gender inequality, and sex-disaggregated data are essential to capture the status of vulnerable women and girls in the region and address their needs.	In-kind technical support may be requested from ESCWA and/or other international specialized agencies. ESCWA designed the following data collection tools to help policy-makers make well-informed policies: <ul style="list-style-type: none"> Arab SDG Monitor. Cost Calculator for Women Survivors of Violence. Gender Justice and the Law.
Implement fair taxes	Deliver visible impact.	The introduction of efficient tax systems would generate domestic resources directed toward job creation and social protection targeted programmes.	Government concerned entities (ministry of finance) and parliament, with support from international organizations and academia.	With the support of experts, the Ministry of Finance should prepare a tax law for parliament to endorse.	In-kind technical support may be requested from the United Nations and/or other international specialized agencies.
Strengthen social protection systems	Deliver visible impact/promote solidarity.	Social protection systems in the Arab region continue to face severe shortcomings. Only 35 per cent of the Arab population is covered by at least one social protection benefit.	Government, ministry of social affairs/development, ministry of finance and other concerned public entities, social insurance organizations, and parliament, with support from international organizations and academia.	Social protection systems and programmes in Arab countries need to be analysed and assessed. Corrective measures need to be applied to address identified shortfalls.	In-kind technical support may be requested from ESCWA and/or other international specialized agencies. The forthcoming ESCWA social protection country profiles aim to help decision makers enhance social protection.
Ensure fair pay and fair conditions for workers	Deliver visible impact.	The Arab region registered the lowest coverage of minimum wages globally. Inequality in minimum wages is predominant in the Arab region, where informality and exclusion of vulnerable groups make application uneven.	Government, ministry of social affairs/development and other concerned public entities, and parliament, with support from international organizations and academia.	Minimum wages must be linked with other social and economic policies aimed at promoting equality, and social protection for all (including informal workers), such as providing social assistance and implementing employment policies. To encourage enforcement, Arab countries can strengthen labour inspection services.	In-kind technical support may be requested from ESCWA and/or other international specialized agencies, like ILO.

Recommended policy	Policy category	Why	Who	How	Possible tools and support
Improve education quality and retention rates	Deliver visible impact.	Inequality in education attainment (number of years of schooling) remains higher in the Arab region, especially for young girls, than in any other region globally, and varies significantly between rich and poor Arab countries.	Ministry of education and other concerned public entities, and the private sector. Regional and international specialized agencies.	Governments need to revisit their education system and programmes to guarantee equal access to good schools, quality education and skills training, and to retain students in public schools.	Specialized United Nations organizations, such as UNESCO, and other development partners.
Provide more affordable housing	Deliver visible impact.	The severity of the affordable social housing shortage has prevented access to first-time homes and a reasonable quality of living accommodation for many in the region.	Central and local government entities, the private sector, and development partners.	Adopt strategies to address the supply and demand side of the housing market, such as adjusting property tenures, securing financing, acquiring land, and formulating eligibility criteria.	International organizations, such as ESCWA and UN-Habitat, are ready to provide technical support. A tool like the ESCWA Arab Population and Housing Censuses is a good reference.
Bridge the digital divide	Secure credibility and trust.	Bridging the digital divide is essential to deliver equality and inclusion in the Arab region.	Ministry of communication and other concerned public entities, with the support of international organizations and academia.	Expand of digital access and coverage to urban and rural areas. Ensure affordable and easy access to digitization.	International organizations, international cooperation agreements, and public-private-partnerships.
Promote disability inclusion at work	Promote solidarity.	Persons with disabilities have restricted employment opportunities in the Arab region, owing to prejudice, discrimination, lack of education, lack of transport access, and weak social exclusion, experience and confidence.	Government concerned entities, civil society organizations, the private sector, parliament, and international organizations.	An employment strategy for young persons with disabilities should be developed to: • Strengthen skills, capacity and independence. • Provide support and employment channels. • Make work pay, so that people with disabilities know that it pays to work. • Promote job retention and re-entry to work. • Provide coordinated and seamless support. • Engage employers.	Some tools can help decision makers in designing well-informed strategies, such as the Persons with Disabilities Dashboard.



Recommended policy	Policy category	Why	Who	How	Possible tools and support
Build effective institutions to achieve social inclusion	Secure credibility and trust.	The Arab region continues to struggle with developing effective, accountable and transparent institutions that are open and accessible.	All public entities, supported by the parliament and Cabinet.	This can be achieved by expanding civic space; strengthening representative institutions; removing limitations on civil society, including freedom of assembly and resource mobilization; and lifting constraints on the participation and representation of young people, women and social groups in political and civic processes, especially at the local level.	Whole-of-government approach supported by international and regional organizations.

Listening to people's concerns

04



Key messages

01



People in the Arab region are optimistic about the future of social and economic equality in their countries.

02



Around 60 per cent of people in Kuwait and 55 per cent in Oman think that current levels of social and economic equality are high; and 55 per cent and 50 per cent, respectively, think social and economic equality levels will be high in five years. In contrast, only 2 per cent of people in Lebanon think that social and economic equality currently exist, and 6 per cent think there will be more social and economic equality in five years.

03



Job opportunities for young people are the preferred option to improve social and economic equality in Egypt, Iraq, Jordan, Kuwait, Mauritania, Morocco, Oman, the Sudan and Tunisia.

04



Unlike other countries, Lebanese people think that the best way to reduce social and economic inequality is by combatting corruption.

05



In people's opinion, top government actions to improve employment opportunities in the region are the creation of more jobs in the private sector, and the provision of more funding for micro and small enterprises.

Listening to people's concerns

04



“There is no greater wealth than wisdom, no greater poverty than ignorance, no greater heritage than culture and no greater support than consultation.”

— — — — — Ali Ibn Abi Talib

A. Methodology of the public opinion survey on social and economic equality in the Arab region

To understand the views of people in Arab countries, their concerns about inequality, and their policy priorities, ESCWA commissioned a public opinion survey to further understand perceptions of social and economic equality, in general, and youth employment, in particular, in the Arab region.











A representative sample of 10,000 adult respondents across 10 Arab countries (Egypt, Iraq, Jordan, Kuwait, Lebanon, Mauritania, Morocco, Oman, the Sudan and Tunisia) were polled by IPSOS, a leading global

market research organization, in March and April 2022. Of the 10,000 persons polled, 54 per cent were male and 46 were female. Around 20 per cent were aged 18-24, 18 per cent were aged 25-30, 34 per cent were aged 31-45, and 28 per cent were aged 46 and above.

Table 1. Current perceptions of social and economic equality at the national level

Q1. How would you rate social and economic equality in your country?

Lebanese people are the least optimistic when rating social and economic equality in their country while Kuwaitis are the most optimistic.

	Egypt	Iraq	Jordan	Kuwait	Lebanon	Mauritania	Morocco	Oman	Sudan	Tunisia	Total
											
There is full social and economic equality	28%	6%	16%	60%	2%	17%	14%	55%	14%	4%	22%
There is some social and economic equality	39%	24%	46%	18%	13%	36%	40%	32%	29%	20%	30%
There are some social and economic inequality	17%	20%	19%	8%	18%	26%	26%	7%	30%	18%	19%
There is full social and economic inequality	15%	49%	18%	0%	67%	19%	19%	4%	26%	56%	27%
I don't know	1%	1%	1%	14%	0%	2%	1%	2%	1%	2%	2%

2. Arab people's perceptions of social and economic equality in the next five years

At the regional level, 47 per cent of respondents said that there would be more social and economic equality in the region in the next five years: 26 per cent felt that there would be a lot more equality, and 21 per cent felt that there would be some more equality. Around 19 per cent of those polled felt that there would be the same level of social and economic equality in the next five years, and 27 per cent said that there would be less or a lot less equality.

At the national level, Kuwaiti respondents were again the most optimistic with regard to social and economic equality in the next five years, with 55 per cent expecting that there would be a lot more social and economic equality. Omani respondents were the second most optimistic, with 50 per cent expecting a lot more social and economic equality. In contrast, Lebanese respondents were again the most pessimistic, with only 6 per cent expecting a lot more social and economic equality in the next five years. Iraqi respondents were the second most pessimistic, with 17 per cent expecting a lot more social and economic equality (table 2).













Overall, Arab people are optimistic and believe that the status of social and economic equality in the region will improve in the next five years.



Results of the survey show that when there is a certain level of social and economic equality, such as in Kuwait and Oman, people are more optimistic and believe that the future will be better.

Table 2. Perceptions of social and economic equality at the national level in the next five years

Q2. How do you see the social and economic equality situation in your country in five years?

	Egypt	Iraq	Jordan	Kuwait	Lebanon	Mauritania	Morocco	Oman	Sudan	Tunisia	Total
											
A lot more social and economic equality	29%	17%	20%	55%	6%	20%	23%	50%	18%	18%	26%
Some more social and economic equality	28%	14%	15%	12%	19%	28%	29%	15%	19%	28%	21%
The same level of social and economic equality or inequality	22%	19%	22%	13%	16%	28%	15%	19%	21%	17%	19%
Some more social and economic inequality	10%	16%	19%	0%	13%	13%	12%	6%	19%	9%	11%
A lot more social and economic inequality	9%	26%	22%	-	40%	7%	11%	3%	21%	22%	16%
I don't know	2%	8%	2%	20%	6%	4%	10%	7%	2%	6%	7%

3. Arab people's perceptions of priority policies that Governments should adopt to improve social and economic equality

Respondents were presented with the following 11 options:

- Job opportunities for young people.
- Combatting corruption.
- Increased wages for workers.
- Financial support for low-income households.
- Vocational training and education that are better tuned to labour market needs.
- Decent and affordable housing for all.
- Enhancing gender equality.
- Enhancing the rule of law.
- A fairer tax system.
- Increasing citizen engagement in government policy.
- Making Internet access more widely available.

“As a young woman struggling to find a job and struggling to provide for my family, I would say job opportunities for young people must be a priority.”

Tunisia, female, aged 18-24

With the exception of Lebanon, 9 of the 10 countries polled believe that job opportunities for young people was the most important policy option to enhance equality. Jordan and Iraq had the highest percentage of respondents who ranked creating job opportunities

as the preferred option (72 per cent and 65 per cent, respectively). Significantly, unlike the other countries, people in Lebanon said that the best way to improve social and economic equality was by combatting corruption (table 3).

The following five policy priorities received the most support among respondents to improve social and economic equality:

- Job opportunities for young people (56 per cent).
- Combatting corruption (39 per cent).
- Increased wages for workers (36 per cent).
- Financial support for low-income households (27 per cent).
- Vocational training and education that are better tuned to labour market needs (23 per cent).









Table 3. Government actions to improve social and economic equality at the national level

Q3. Which of the following do you think should be the main priorities area(s) for your government to improve social and economic equality?

Unlike other countries, the Lebanese think that the best way to improve social and economic equality is through combatting corruption.

	Egypt	Iraq	Jordan	Kuwait	Lebanon	Mauritania	Morocco	Oman	Sudan	Tunisia	Total
Job opportunities for young people	51%	65%	72%	53%	58%	40%	56%	57%	52%	58%	56%
Combating corruption	32%	42%	41%	29%	65%	39%	36%	24%	42%	43%	39%
Increased wages for workers	40%	17%	65%	33%	40%	34%	44%	27%	34%	26%	36%
Financial support for low-income households	30%	24%	39%	18%	28%	27%	32%	19%	27%	28%	27%
Vocational training and education that are better tuned to labour market needs	16%	9%	16%	44%	18%	23%	29%	24%	21%	30%	23%
Decent and affordable housing for all	21%	17%	14%	17%	13%	23%	28%	10%	15%	17%	17%
Enhancing gender equality	16%	8%	11%	17%	12%	15%	17%	11%	12%	9%	13%
Enhancing the rule of law	9%	14%	7%	13%	20%	24%	8%	6%	13%	10%	12%
A fairer tax system	8%	3%	7%	4%	11%	13%	6%	5%	9%	21%	9%
Increasing citizen engagement in government policy	8%	2%	5%	16%	9%	15%	5%	7%	11%	5%	8%
Making internet access more widely available	10%	1%	4%	6%	3%	12%	5%	7%	7%	4%	6%

Table 4. Perceptions of decent job opportunities with the next five years at the national level

Q4. Do you think there will be more decent and productive jobs within the next five years?											
	Egypt	Iraq	Jordan	Kuwait	Lebanon	Mauritania	Morocco	Oman	Sudan	Tunisia	Total
											
Yes	70%	44%	46%	54%	32%	42%	65%	85%	56%	54%	55%
No	26%	47%	51%	23%	60%	15%	20%	9%	39%	39%	33%
Maybe	2%	4%	2%	16%	3%	39%	9%	3%	3%	4%	8%
I don't know	2%	5%	1%	7%	5%	4%	6%	3%	2%	3%	4%

4. Arab people's perceptions of decent and productive jobs within the next five years

When asked whether there would be more decent and productive jobs in the next five years, Omani respondents were the most optimistic at 85 per cent. Egyptian respondents were the second most optimistic at 70 per cent. Lebanese respondents

were again the most pessimistic, with 60 per cent saying that there would not be more decent and productive jobs in the next five years. Jordanian respondents were the second most pessimistic at 51 per cent (table 4).

5. People's perceptions of what Arab Governments should do to enhance employment opportunities

Respondents were presented with the following eight options:

- Create more jobs in the private sector.
- Provide more funding for small and micro enterprises.
- Reform the education system to meet market demands.
- Reform laws that govern the establishment of private businesses.
- Engage more women in the labour market.
- Reform the taxation system.
- Engage persons with disabilities in the labour market.
- Reform the private business ecosystem.

The following five policy priorities to enhance employment opportunities received the most support among respondents across the 10 countries:

- Create more jobs in the private sector (47 per cent).
- Provide more funding for small and micro enterprises (46 per cent).
- Reform the education system to meet market demands (39 per cent).
- Reform laws that govern the establishment of private businesses (23 per cent).
- Engage more women in the labour market (22 per cent).

The creation of more jobs in the private sector was the most popular action to improve employment opportunities in Jordan (62 per cent) and in Iraq (61 per cent). Respondents in the following countries showed the least support for creating more jobs in the private sector: Tunisia at 37 per cent, Mauritania at 38 per cent, and Kuwait and Egypt both at 41 per cent.

The option of providing more funding for small and micro enterprises to improve employment was most popular in Jordan at 54 per cent, followed by Mauritania at 52 per cent, the Sudan at 50 per cent, and Kuwait at 49 per cent.

Reforming the education system to meet market demands was most popular in Morocco at 55 per cent. It was the least popular option in Iraq at 24 per cent, and in Oman at 28 per cent.

Reforming laws that govern the establishment of private businesses was the most popular approach in Kuwait at 47 per cent, followed by Mauritania at 32 per cent.

Out of the five top policy options, engaging more women in the labour market was the least attractive approach to improving employment opportunities. This option received the most support in Lebanon at 31 per cent, Morocco at 28 per cent, Mauritania at 27 per cent, and Kuwait at 25 per cent. It was seen as the least attractive option in Iraq at 13 per cent, followed by Oman at 15 per cent and the Sudan at 19 per cent.











Reforming the taxation system received the most support in Jordan at 36 per cent, followed by Mauritania, the Sudan and Tunisia at 28 per cent each, and Morocco at 27 per cent.

Engaging persons with disabilities in the labour market received the most support in Lebanon at 35 per cent, followed by Morocco at 27 per cent.

Reforming the private business ecosystem received the most support in Kuwait at 38 per cent.

Table 5. Perceptions of government action to improve employment opportunities at the national level

Q5. What do you think the government should do to enhance employment opportunities?

	Egypt	Iraq	Jordan	Kuwait	Lebanon	Mauritania	Morocco	Oman	Sudan	Tunisia	Total
											
Create more jobs in the private sector	41%	61%	62%	41%	54%	38%	44%	50%	45%	37%	47%
Provide more funding for small and micro enterprises	43%	34%	54%	49%	47%	52%	43%	41%	50%	46%	46%
Reform the education system to meet the market demands	38%	24%	43%	47%	36%	38%	55%	28%	38%	46%	39%
Reform laws that govern setting up private businesses	19%	13%	26%	47%	21%	32%	14%	16%	18%	24%	23%
Engage more women in the labour market	22%	13%	22%	25%	31%	27%	28%	15%	19%	21%	22%
Reform the taxation system	22%	7%	36%	3%	23%	28%	27%	12%	28%	28%	21%
Engage persons with disabilities in the labour market	20%	9%	21%	18%	35%	23%	27%	10%	20%	16%	20%
Reform the private business ecosystem	15%	7%	11%	38%	14%	21%	10%	11%	13%	14%	15%

C. Perspectives by country

1. Egypt

In Egypt, respondents had an optimistic perspective, with 28 per cent saying that they currently had full equality, and 39 per cent felt that they had some equality. Regarding equality in the next five years, 29 per cent were expecting a lot more equality, and 28 per cent were expecting some more equality.

Job opportunities for young people were seen by 51 per cent of Egyptian respondents as the most important way to improve social and economic equality, while 70 per cent said that there would be more decent and productive jobs in the next five years. Providing more funding for small and micro enterprises was considered the best method to enhance employment opportunities by 43 per cent of Egyptian respondents.

2. Iraq

Iraqi respondents had a pessimistic perspective, with only 6 per cent saying that they currently had full equality, and 24 per cent saying that they had some equality. Regarding perceptions of equality in the next five years, 17 per cent were expecting a lot more equality, and 14 per cent were expecting some more equality.

Job opportunities for young people were seen by 65 per cent of Iraqi respondents as the most important way to improve equality. However, only 44 per cent believed that there would be more decent and productive jobs within the next five years. Creating more jobs in the private sector was considered the best method to enhance employment opportunities by 61 per cent of Iraqi respondents.

3. Jordan

In Jordan, 16 per cent of respondents felt that they currently had full equality, and 46 per cent felt that they had some equality. Regarding perceptions of equality in the next five years, 20 per cent were expecting a lot more equality, and 15 per cent were expecting some more equality.

Job opportunities for young people were seen by 72 per cent of Jordanian respondents as the most important way to improve equality. However, only 46 per cent of said that there would be more decent and productive jobs within the next five years. Creating more jobs in the private sector was considered the best method to enhance employment opportunities by 62 per cent of Jordanian respondents.

4. Kuwait

Kuwait respondents had an optimistic perspective, with 60 per cent saying that they currently had full equality, and 18 per cent feeling that they had some equality.

Regarding perceptions of equality in the next five years, 55 per cent were expecting a lot more equality, and 12 per cent were expecting some more equality.

Job opportunities for young people were seen by 53 per cent of Kuwaiti respondents as the most important way to improve equality, and 54 per cent said that there would be more decent and productive jobs within the

next five years. Providing more funding for small and micro enterprises was considered the best method to enhance employment opportunities by 49 per cent of Kuwaiti respondents.

5. Lebanon

Lebanese respondents had an extremely pessimistic perspective, with only 2 per cent saying that they currently had full equality, and 13 per cent feeling that they had some equality. Regarding perceptions of equality in the next five years, 6 per cent were expecting a lot more equality, and 19 per cent were expecting some more equality.

Unlike other countries, most Lebanese respondents (65 per cent) said that the best way to improve equality was by combatting corruption. Only 32 per cent believed that there would be more decent and productive jobs within the next five years. Creating more jobs in the private sector was considered the best method to enhance employment opportunities by 54 per cent of Lebanese respondents.

6. Mauritania

In Mauritania, 17 per cent of respondents felt that they currently had full equality, and 36 per cent felt that they had some equality. Regarding perceptions of equality in the next five years, 20 per cent were expecting a lot more equality, and 28 per cent were expecting some more equality.

Job opportunities for young people were seen by 40 per cent of Mauritanian respondents as the most important way to improve equality, and 42 per cent said that there would be more decent and productive jobs within the next five years. Providing more funding for small and micro enterprises was considered the best method to enhance employment opportunities by 52 per cent of Mauritanian respondents.

7. Morocco

In Morocco, 14 per cent of respondents felt that they currently had full equality, and 40 per cent felt that they had some equality. Regarding perceptions of equality in the next five years, 23 per cent were expecting a lot more equality, and 29 per cent were expecting some more equality.

Job opportunities for young people were seen by 56 per cent of Moroccan respondents as the most important way to improve equality, and 65 per cent said that there would be more decent and productive jobs within the next five years. Reforming the education system to meet market demands was considered the best method to enhance employment opportunities by 55 per cent of Moroccan respondents.

8. Oman

In Oman, 55 per cent of respondents said that they currently had full equality, and 32 per cent felt that they had some equality. Regarding perceptions of equality

in the next five years, 50 per cent were expecting a lot more equality, and 15 per cent were expecting some more equality.

Job opportunities for young people were seen by 57 per cent of Omani respondents as the most important way to improve equality, and 85 per cent said that there would be more decent and productive jobs

9. Sudan

In the Sudan, 14 per cent of respondents said that they currently had full equality, and 29 per cent felt that they had some equality. Regarding perceptions of equality in the next five years, 18 per cent were expecting a lot more equality, and 19 per cent were expecting some more equality.

10. Tunisia

In Tunisia, 4 per cent of respondents said that they currently had full equality, and 20 per cent felt that they had some equality. Regarding perceptions of equality in the next five years, 18 per cent were expecting a lot more equality, and 28 per cent were expecting some more equality.

Job opportunities for young people were seen by 58 per cent of Tunisian respondents as the most important

within the next five years. Creating more jobs in the private sector was considered the best method to enhance employment opportunities by 50 per cent of Omani respondents.

Job opportunities for young people were seen by 52 per cent of Sudanese respondents as the most important way to improve equality, and 56 per cent said that there would be more decent and productive jobs within the next five years. Providing more funding for small and micro enterprises was considered the best method to enhance employment opportunities by 50 per cent of Sudanese respondents.

way to improve equality, and 54 per cent said that there would be more decent and productive jobs within the next five years. Reforming the education system to meet market demands was considered the best method to enhance employment opportunities by 46 per cent of Tunisian respondents.

Young people
Unutilized resources

05



Key messages

01



Youth unemployment in the Arab region has been the highest worldwide for the past 25 years. It is 3.8 times higher than of adult workers.

02



Youth unemployment in the region is 26 per cent compared with a global average of 12.8 per cent.

03



About 85 per cent of working young people in the region are in the informal sector.

04



Youth unemployment leads to scarring throughout the life cycle of young people, in the form of social exclusion, poverty, income inequality, marginalization, exploitation, discouragement, political instability, social unrest and violence.

05



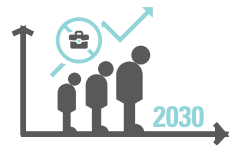
Inequality in employment is seen across generations. Persistent youth unemployment in the region indicates that young people face unique barriers over and above those faced by other workers.

06



Young workers suffer high poverty rates. Globally, 12.8 per cent of employed young people lived in extremely poor households in 2019, compared with 13.3 per cent in the Arab region.

07



The number of unemployed persons in the region is expected to rise from 14.3 million in 2019 to 17.2 million in 2030, even without taking into account the impact of the COVID-19 pandemic and the substitution effect of automation.

08



Up until 2019, prior to the pandemic, it was estimated that the region needed around 33 million jobs to ensure an unemployment rate of 5 per cent by 2030.

09



One in two young women in the region is estimated to not be in employment, education or training, compared with one in five young men.

10



The best way to translate economic growth into reduced inequality is by creating decent employment opportunities that reduce poverty and narrow the income gap between high and low earners.

Young people

Unutilized resources

05

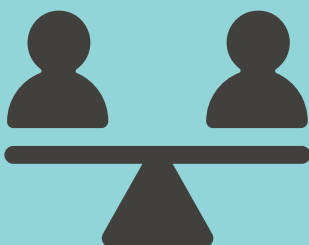
A. Overview of youth unemployment

Youth unemployment (people aged 15-24) is the most significant socioeconomic challenge facing the Arab region. Youth unemployment in the region has been the highest worldwide for the past 25 years, estimated at 26 per cent compared with a global average of 12.8 per cent. Youth unemployment in the region is 3.8 times higher than total unemployment. Moreover, an estimated 85 per cent of working young people are in the informal sector.⁶⁹ The Arab region is also characterized by the



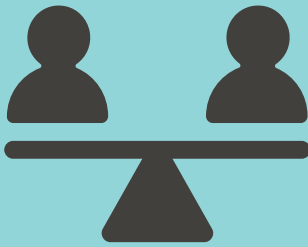
“The future promise of any nation can be directly measured by the present prospects of its youth.”

— John F. Kennedy



56 per cent of people in the Arab region (54 per cent males and 58 per cent females) believe that creating job opportunities for young people is the most important policy to reduce social and economic inequality in the Arab region.

— ESCWA survey, 2022



The energy, skills, and aspirations of young people are invaluable assets that Arab societies cannot afford to waste. With a significant proportion of young people across the region suffering prolonged unemployment, the potential negative long-term scars to their careers, earnings, health, and wellbeing are profound.

The economic and social costs associated with youth unemployment, including greater income inequality, are high.

largest gender gaps in labour force participation and employment worldwide. Within the 15-24 age group, the female labour force is 80 per cent smaller than its male counterpart.

Unemployment, which until the 1980s was confined to less well-educated segments of the Arab population, now affects a large share of young educated people and university graduates. It affects both young people who did not complete formal education, and those with secondary and tertiary qualifications, with the potential to negatively impact yet another generation of young people across the region.

A large number of unemployed young people adversely affects a community's economic growth and development. It also has serious social repercussions because unemployed young people feel left behind, leading to social exclusion, poverty, income inequality,

marginalization, exploitation and discouragement, as well as potential political instability and social unrest. Youth unemployment can also lead to violence, delinquency and other crimes to secure financial resources and help support family members.⁷⁰ Furthermore, unemployment can result in "scarring" throughout the life cycle of young people. Being unemployed when young can affect people in adulthood, including through lower pay, continued unemployment, and fewer opportunities. It may also cause mental health issues for adults in the 40s and 50s, which in turn affects their ability to find or maintain a job.⁷¹

Young people looking for jobs face challenges on both the supply and demand sides. On the supply side, there are demographic pressures, weak education systems that do not prepare young people for work, skills mismatch and weak skills, lack of information on existing job opportunities and career guidance resources

for job seekers, and a lack of employment experience. In addition, there are often mismatches between the expectations of educated job seekers and the salaries and benefits of available jobs. Women face all these supply factors and additional ones related to unpaid care work and conservative social norms.

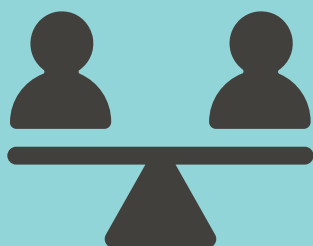
On the demand side, companies struggle with limited access to infrastructure, finance and global markets, and face regulatory constraints. In the public sector, relatively high wages, benefits and job security continue to attract young people, and encourage them to wait for increasingly scarce positions.

The inability of Arab economies to create enough decent employment opportunities is poses several challenges. Owing to limited opportunities in the formal sector, many young people have sought employment in the informal sector. This has widened the inequality gap since

informal sector jobs do not provide insurance coverage, basic entitlements, or social protection coverage. Moreover, informal jobs typically entails low pay, erratic hours, uncertain employment status, and hazardous working conditions.

Young people are likely to be in working poverty. At the global level, 12.8 per cent of employed youth lived in extremely poor households in 2019, compared with 13.3 per cent in the Arab region.⁷² Persistent working poverty underscores the need for social protection systems that help shore up income security. Without proper social security and decent jobs, employment alone is not a guarantee against poverty.

The COVID-19 pandemic has disproportionately affected the employment of young people. This has reignited fears that another “lost generation” of young people will emerge, who will be denied access to good quality



In 2015, Egypt pursued a strategy to improve standards of living through a series of economic reforms. Many of these measures were aimed to strengthen the investment climate and deliver better-quality goods and services, by boosting public infrastructure quality, investment and tourism. Between 2016 and 2019, these reforms were successful in driving stronger exports and attracting additional tourism revenues, and were associated with a sharp drop in unemployment, especially among young people. Unemployment in Egypt among young people dropped gradually from 34.4 per cent in 2015 to 24.3 per cent in 2021.

— — — — — Source: ILOSTAT

and sustainable job opportunities as they transition into the labour market. The youth unemployment rate in the region during the pre-pandemic period 2015-2020 was very high, standing at 23 per cent. A notable exception was Egypt where youth unemployment fell from 34.3 per cent in 2015 to 24.3 per cent in 2021. As a result of the pandemic, there were significant increases in youth unemployment reaching nearly 32 per cent in Morocco,

36.5 per cent in Tunisia, and 55 per cent in Jordan in the fourth quarter of 2020 (between 3 to 10 percentage points above pre-crisis levels). In addition, at least 2.4 million jobs were lost in the Arab region in 2020 owing to the pandemic. The number of unemployed persons is expected to rise from 14.3 million in 2019 to 17.2 million in 2030, even without taking into account the impact of the pandemic and the substitution effect of automation.⁷³

B. Youth unemployment and demographic dynamics

High population growth has resulted in a young age structure in the Arab region. Those in the 15-24 year age group constitute about 20 per cent of the population, and those aged 15-29 make up around 30 per cent of the population – or some 110 million people – in a region in which 60 per cent of the population has not yet reached the age of 30.⁷⁴ During the first half of this century, a large proportion of the region's population will move into their most productive years, creating an opportunity to realize a demographic dividend. It would be tragic for the region if the benefits of this demographic dividend are squandered, inevitably leading to potential unrest, protests and increased polarization. However, the youth bulge has

so far proven to be a burden rather than a demographic opportunity.⁷⁵

The even growing working-age population in Arab region requires the creation of more jobs. Up until 2019, prior to the pandemic, it was estimated that the region needed around 33 million jobs to ensure an unemployment rate of 5 per cent by 2030. To increase the female labour force to match participation levels in middle-income countries, the number of jobs needed could be as high as 65 million. Many young people dropped out of the labour force during the pandemic because of a lack of opportunities, and the pandemic also caused an increase in youth unemployment.

C. Gender dimension of youth unemployment

Inequality in female youth unemployment is evident between Arab countries and within them. On average, women are 2.6 times more likely to be unemployed than men.⁷⁶ Female youth unemployment in the region, which is the highest worldwide, stands at 40 per cent. This is more than double

the unemployment rate of young men (19.8 per cent).⁷⁷ By comparison, global youth unemployment rates for males (12.4 per cent) and females (12.8 per cent) differ only marginally.⁷⁸ Algeria exhibits the highest disparity among young men and women, with almost 50 per cent more

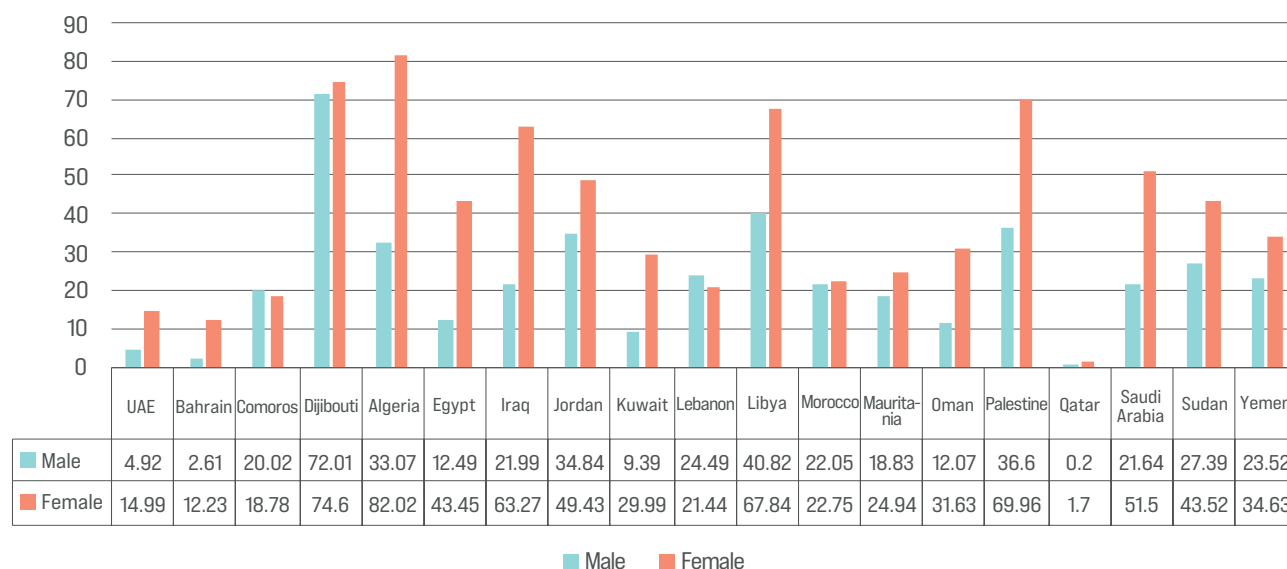
unemployed females. In contrast, Lebanon has 3 per cent more unemployed young males than females. In many Arab countries, high unemployment rates for young women are attributed to issues related to unequal opportunities, and discriminatory practices that treat men and women differently. For example, in some Arab countries, business registrations require the approval of a male family member, thus restricting women's entrepreneurship opportunities.

While young women have achieved remarkable gains in educational attainment over the past five decades, these have not been translated into real and meaningful increases in labour force participation. While the literature commonly emphasizes the positive impact of increased education on employment opportunities, the Arab region faces a paradox. Increased education levels are not always positively correlated with more and better employment opportunities, especially among women whose educational performance has significantly improved over the years. The likelihood of

being unemployed is considerably higher among women with a university education than among those with lower educational attainments. This paradox is reflected in the fact that women with no education, on the one hand, and those with secondary qualifications, on the other, are more likely to join the labour force compared with women who have higher education qualifications.

Education may increase a woman's chance of getting a decent job but, paradoxically, women with more education find it more difficult to get a job. However, it is important to note that this negative correlation between educational attainment and employment is experienced by both men and women in the region. Moreover, there is a persistent gap between yearly increases in jobs and in graduates. For instance, around 11,000 to 15,000 new jobs have been generated annually in Lebanon during the past decade, whereas the annual number of university graduates far exceeds that, estimated at between 23,000 to 43,000 every year.⁷⁹

Figure 18. Average youth unemployment in Arab countries by sex, latest available year



Source: ILOSTAT.

In the Arab region, one in two young women is estimated to not be in employment, education or training (NEET), compared with almost one in five young men. There is a gender gap in the NEET rate of 34 percentage points in the region, almost double that of the global gender gap (17.2 percentage points).⁸⁰ The fact that young women are twice as likely as young men to fall into this category, and that the gender gap is so pronounced in the Arab region, reflect the deeply-entrenched social and cultural norms that limit women's educations and career goals.

The pandemic accentuated unemployment among women. Women's jobs were particularly hard hit, as they are more likely to work in the informal economy and service sectors that were most affected by the lockdowns.

ESCWA analysis of online job postings found that they unintentionally avoid gender bias in their demand for skills, but job advertisements themselves are discriminatory by explicitly mentioning the needed gender for a set of skills that can be done by either women or men (box 3). Furthermore, the majority of female-targeted job openings are in entry-level positions, and the lowest share of jobs targeting women are in management and senior-level positions. In addition, the data reveal that while job postings in the Arab region are inclusive of and accessible to persons with disabilities, that does not mean that the jobs themselves are inclusive and accessible to them.⁸¹

Box 3. Male accountant needed

Description: Managing all general accounting operations, preparing reports on the current financial position of the company, analysing financial data and providing accounting insights, managing and tracking all financial movements, updating purchase and sales records, submitting periodic financial reports, and proposing financial solutions to fix any financial problems.

Educational level: Bachelor's degree.

Experience level: 10-4 years' experience.

Although the functions of the job could be done by either a man or a woman, the announcement exclusively requests a male candidate

Source: ESCWA analysis based on data generated by ESCWA Skills Monitor, 2022..

D. Barriers to youth employment in the Arab region

Inequality in employment is witnessed across generations in the region. The youth unemployment rate in the Arab region is 3.8 times higher than that

of adult workers, highlighting that young people face unique barriers over and above those faced by other workers.

1. Poor quality education

Arab Governments have provided free education and instituted a meritocratic system of selection into higher levels of schooling, which is the cornerstone of equality of opportunity policy in many Arab countries. However, much remains to be done to improve the quality of education for both men and women, especially since the Arab region still lags behind the world average. An estimated one in every five children, adolescents and young people in the region is not enrolled in school. This situation is more pronounced among girls, which maintains the education gender gap.

While school and university enrolment rates have increased, the quality of education has deteriorated significantly, resulting in high unemployment rates among young, new college graduates. This unique phenomenon among those with high levels of educational attainments is representative of the region. Training systems and curriculums are not in line with the needs of the labour market, leading to a significant skill mismatch.

Education itself is an important aspect of inequality of opportunity. Educational attainment depends significantly on parents' backgrounds and on community characteristics. Since the labour market values higher-



“Research has shown that quality higher education – particularly with a focus on soft skills and internships – boosts the potential of graduates to secure their first jobs after graduation. It is the first job after graduation that is the essential first step to moving forward. You don’t have to see the whole staircase, just take the first step.”

— Martin Luther King Jr.

skilled jobs, young people from privileged backgrounds have better outcomes in their transitions into the labour market. Research has found that inequality of opportunities explains a significant part of the inequality

in educational achievements in most Arab countries. While the education system in the region has performed relatively well in expanding opportunities in access to schools, it has not improved quality.

2. Prolonged school-to-work transition

Young people in the region often search for years before finding work. While data on unemployment duration in the Arab region are limited, evidence from three countries where such data is available (Iraq, Jordan and Yemen) indicate that almost half of unemployed Iraqi young people, a third of unemployed Jordanian young people, and over a fifth of unemployed Yemeni young people have been looking for a job for at least one year. These figures do not include discouraged youth who have given up actively seeking work.⁸²

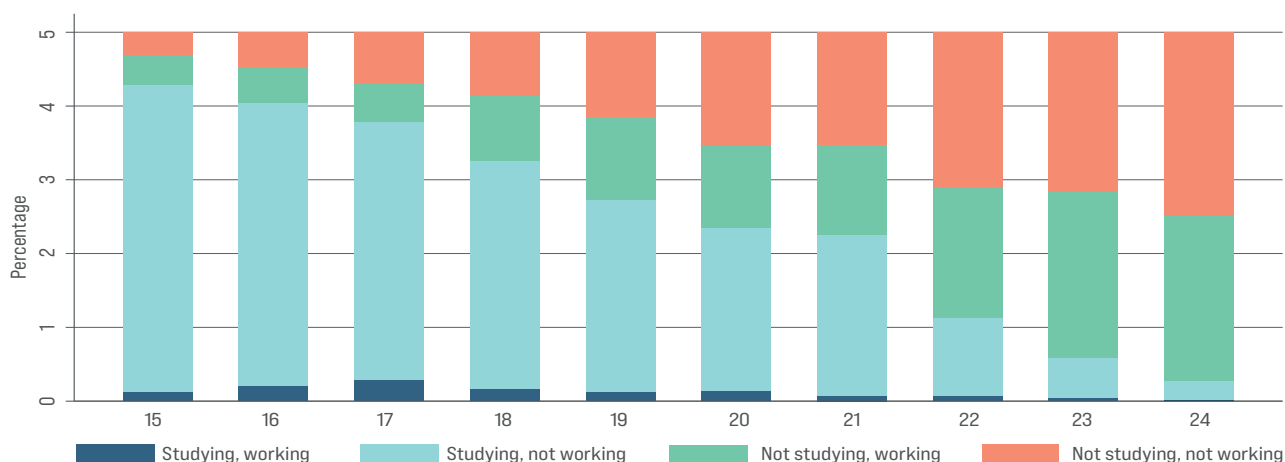
Delayed transition to working life affects other pathways to adulthood, including marriage, homeownership, and civil participation. This delay in making the transition to adulthood has been termed “waithood”, reflecting a

waste of youthful energy and potential. This “waithood” experience places young people in a position of prolonged adolescence, forcing them to remain single for long periods of time while trying to save money to marry.⁸³

The impact of secondary school dropout on the work outcomes of young people in 10 developing countries was analysed, and emphasized the impact of this factor on youth unemployment. High dropout rates affect work prospects, exacerbate income inequality, and determine employment patterns given that the formation of a skilled workforce is key to economic development and growth.

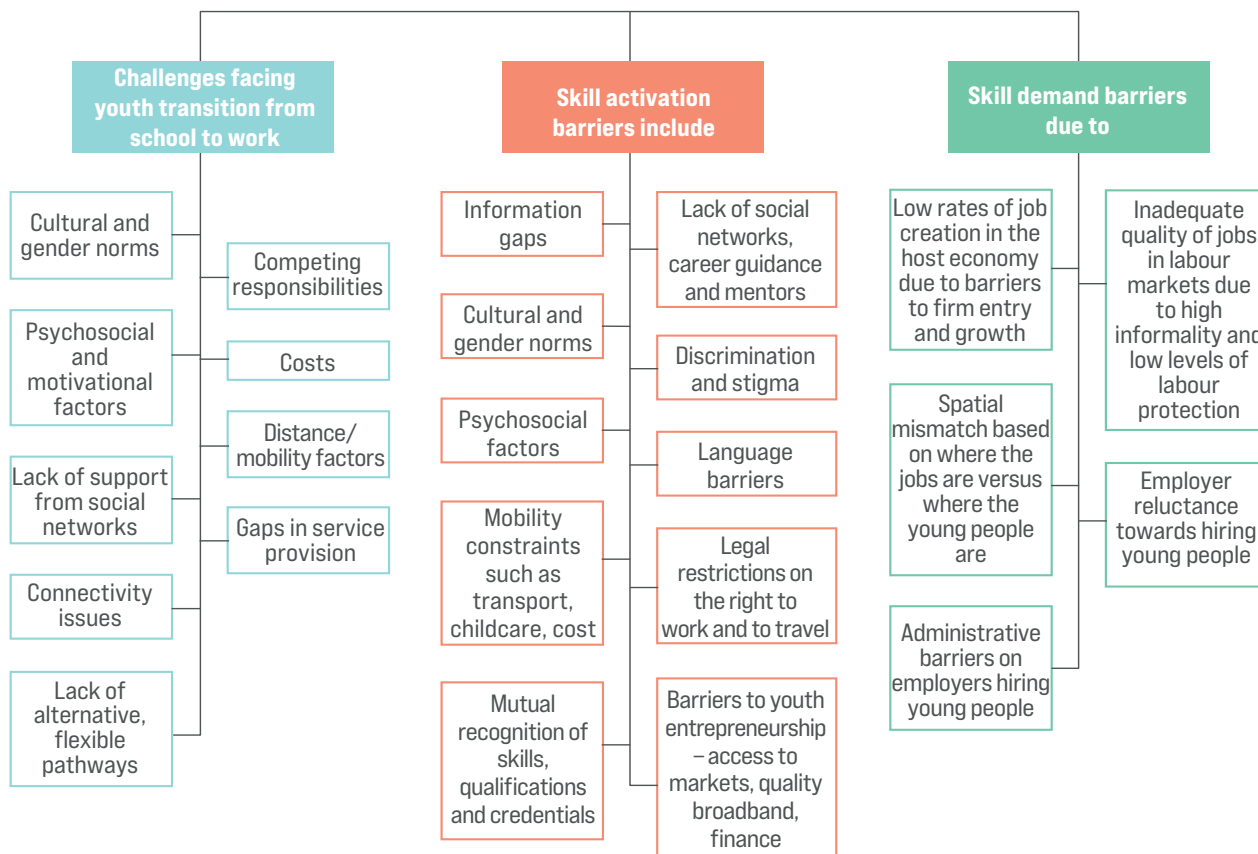
Figure 19 below shows four groups of Arab young people disaggregated by employment and education

Figure 19. School to work transitions in Arab countries with available data



Source: ESCWA calculations based on data compiled from ILO school-to-work transitions surveys. Data is available for Egypt, Jordan, Lebanon, the State of Palestine and Tunisia.

Figure 20. School-to-work transition barriers



Source: Compiled by ESCWA.

status. While the “studying and not working” group decreases gradually with age, the share of young people who are not studying and working increases. Notably, the share of young people who are neither studying nor working increases also increases with age. Young people aged 22-24 who are not working or studying constitute between 30 and 40 per cent of the youth population.

For Arab young people, difficulties in managing the transition from school to work continue to pose serious barriers. Figure 20 shows three broad challenges in that regard: skills supply, skills

activation, and skills demand. These three sets of challenges are related to existing inequalities among certain groups. For example, cultural and gender norms affect young women’s engagement in the labour force, while language barriers mostly affect unprivileged youth who could not benefit from quality education that equip students with sound language skills. Moreover, the extent to which these barriers are present and experienced varies widely between countries, and between urban and rural areas.

3. Poor economic performance and job creation

A distinguishing feature of the Arab region's weak economic performance is high unemployment rates and a persistent lack of success in creating enough jobs for young people. High youth unemployment rates are largely due to a lack of job opportunities, but also to barriers to entering the labour market. The low availability of high-skilled jobs and the low value placed on skills gained through vocational training are also significant factors. The reasons for this overall poor economic performance are a combination of supply-side factors, such as the region's demographics; and demand-side factors, including the inability of the private sector to create sufficient economic activity to absorb new labour entrants and an over-reliance on the public sector to generate required jobs. Moreover, State fragility and conflict have had devastating effects on the region's ability to attract foreign investment, consolidate development gains, and enhance economic and social prosperity to create employment.

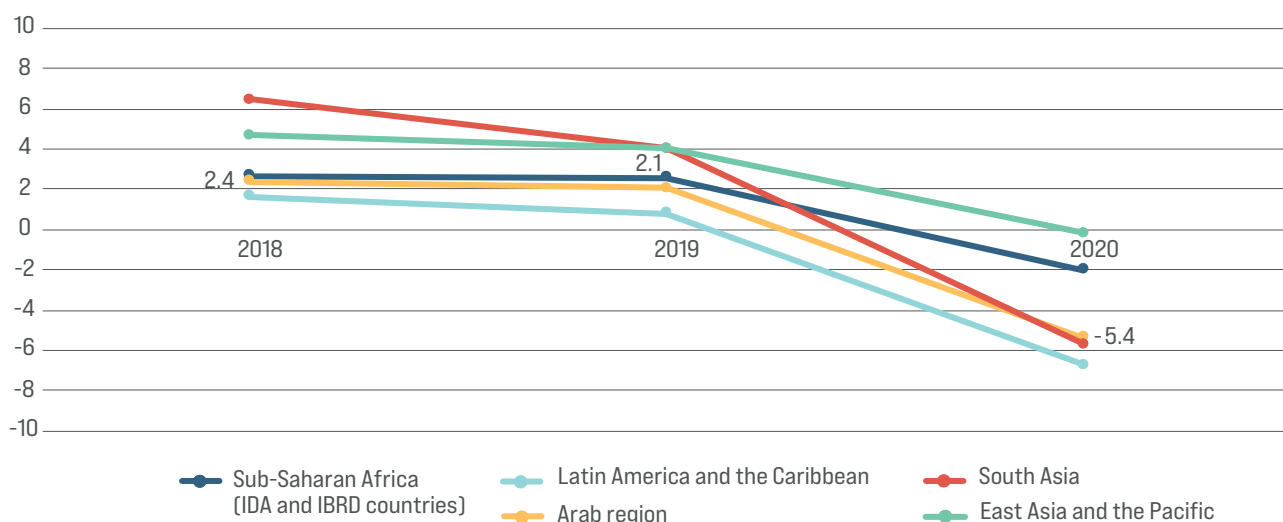
Consequently, youth unemployment in the Arab region must be examined against a backdrop of overall poor

employment performance. In the past three decades, the share of the region's working-age population has expanded by 17 per cent, but the employment-to-population ratio increased by less than 1 per cent, resulting in the lowest level of employment creation among all regions in the same period. Furthermore, most employment creation happened in the informal private sector and the public sector.

There are five broad reasons why the formal private sector in the Arab region is not creating enough decent and inclusive jobs. Understanding the following reasons is central to creating practical solutions to reduce unemployment:

- Low-productivity economies with wide deficits in youth participation and gender equality, a large informal sector, and a limited role of the formal private sector, particularly in employment creation.
- Despite relatively high GDP growth rates in recent years prior to the pandemic, opportunities for aggregate productive and

Figure 21. GDP growth rate by region



Source: World Bank data.

decent employment fell short. Jobs were mainly created in informal low value-added production and the public sector, which also added to political polarization. Consequently, aggregate labour productivity and real wages stagnated or dropped in real terms.

- The low inclusivity of women in the labour market. The main difference between the employment profile of the region and the rest of the world is an extremely low women's labour force participation rate, which is caused by weak job creation in Arab economies, structural constraints, attitudinal barriers, and gender dynamics that discriminate against women.
- The challenge facing many Arab countries is not so much a bloated public sector, but rather the failure of public sector policies to achieve successful economic structural transformation and diversification. This failure pressures many Governments, especially in oil-rich economies, to create inclusive public employment opportunities, resulting in limited jobs in the formal private sector.
- Conflicts in several Arab countries have damaged the region's attraction to foreign

investment, thus undermining prospects for sustainable development.


Ensuring a sustainable creation of new jobs for young people, thus reducing youth unemployment, depends on achieving higher economic growth rates, and on the labour intensity of said growth. The Arab region's economic growth rates lag behind those of sub-Saharan Africa and of East Asia and the Pacific. The economic recovery that began with 4.1 per cent growth for the Arab region in 2021 is expected to continue at 3.7 per cent in 2022 and 3.6 per cent in 2023.⁸⁴ These projections were made before the greatest cost-of-living crisis in recent years and the Russian invasion of Ukraine. However, economic growth does not always result in less unemployment. For example, in Saudi Arabia, private sector economic growth does not equate to an increase in employment levels, as the vast majority of private sector jobs are held by expatriate workers.⁸⁵ In Jordan, by contrast, economic growth resulted in additional jobs in low-skilled and low-paying industries, such as the construction and garment industries.⁸⁶ While jobs may be available in these low-skilled industries, educated young people are reluctant to take them, preferring instead to remain unemployed.

4. Weak public employment services

Public employment services connect jobseekers with employers. In their work at national level, they prioritize people who are long-term unemployed, including young people who have never worked, in addition to people not currently defined as unemployed, persons with disabilities and home carers.

Public employment services in the Arab region are largely underdeveloped, and function in a complex socioeconomic environment that includes high

and persistent rates of youth unemployment and informality. The role of Arab Governments in labour market intermediation is constrained by several obstacles, including a lack of funding, and capacity. Despite the important role of public employment services in job search and matching processes, less than 5 per cent in Algeria and 9 per cent in Jordan of employed young people state that such agencies have helped them transit into employment. Using public employment services in looking for a job is common



among female job seekers in Algeria and Jordan, but much less popular than using informal networks such as friends and relatives. This highlights another potential layer of inequality in the region in terms of the role of connections and informal networks in awarding employment contracts. Such issues can be tackled by introducing regulations to curb corruption

and nepotism, and by strengthening competitive recruitment, meritocracy and transparency in public institutions. Moreover, policymakers in Arab countries need to evaluate active labour market policies to assess their effectiveness and improve the planning and delivery of employment programmes.

**Practical
policy solutions**

06



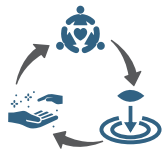
Key messages

01



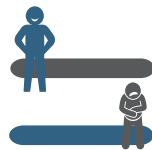
A combination of integrated policies is required to reduce inequality.

02



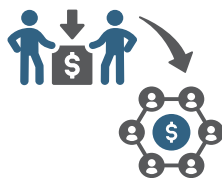
To reduce inequality in employment, it is necessary to follow a three-pronged approach: promoting solidarity, delivering visible impact, and securing credibility and trust.

03



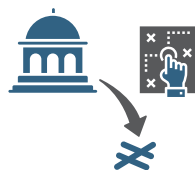
It is possible to achieve equality that benefits both “the haves” and “the have nots”.

04



A solidarity fund should be established to facilitate shared responsibility among the rich and the poor.

05



A new paradigm shift in government policies and governance is needed to address inequalities in the region, which includes a combination of integrated policies and a financing plan for reducing inequality that takes into account the intersectionality of inequalities.

Practical policy solutions

06



“Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life.”



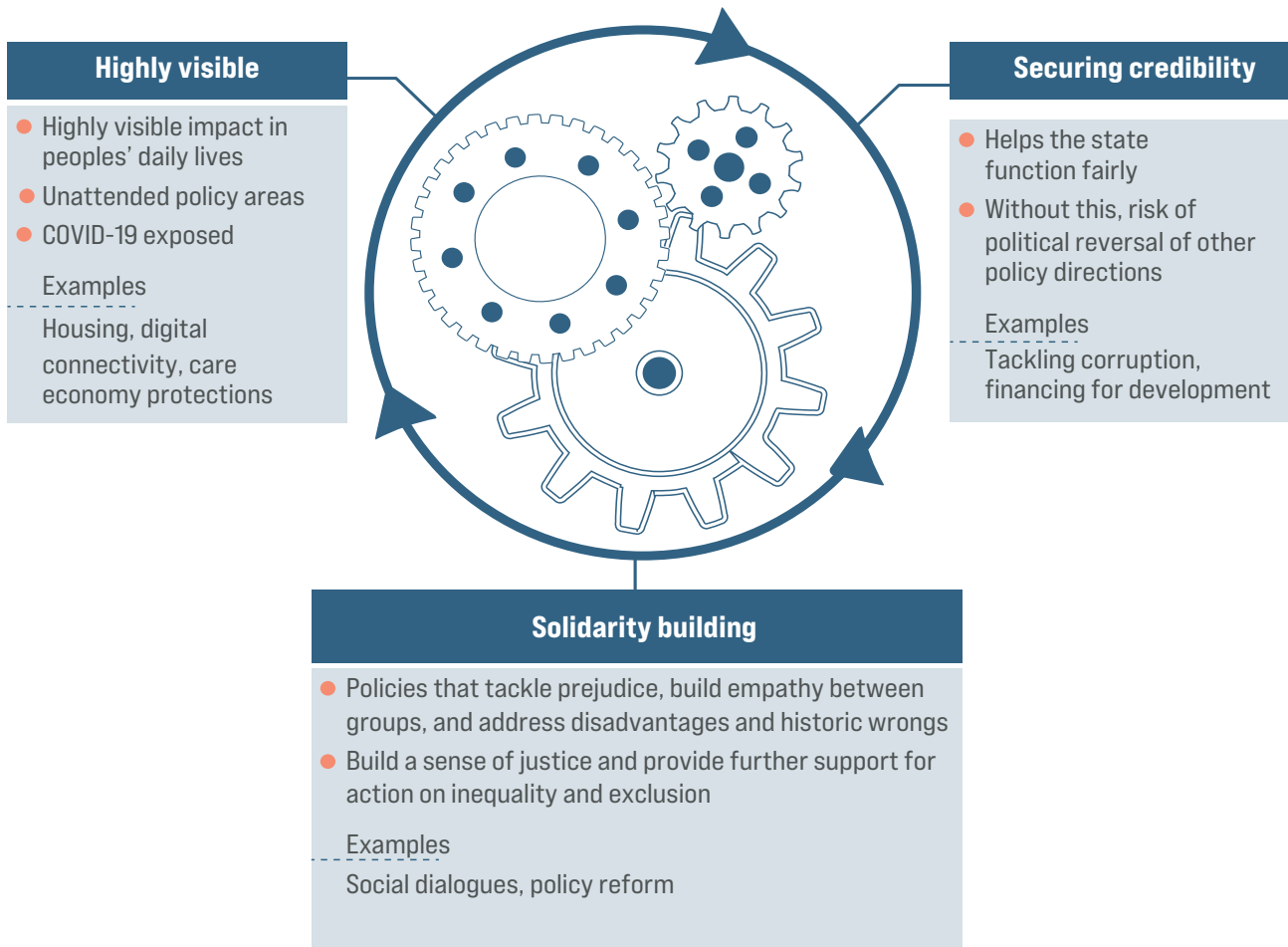
Nelson Mandela

A. Three-pronged approach to reducing youth unemployment

The present report highlights youth unemployment as a flagrant type of inequality in the Arab region, and underscores the limited capacity of national economies to create enough decent jobs. Such market problems, combined with the worst cost of living crisis in 25 years and ongoing conflict stress the importance of reducing unemployment, which Arab peoples consider be a top priority for reducing inequality. The seriousness of the youth unemployment situation in the region requires the urgent application of a multitude of alternative innovative approaches, based on the good practices of other communities, countries and regions. The present chapter utilizes the practical policy approach set out

in the Pathfinders global report.⁸⁷ The policy model has three levels of actions: promoting solidarity, delivering visible impact, and securing credibility and trust (figure 22). International experiences reflected in the Pathfinders report reveal which practical policies work and the “how to” of reducing inequality and exclusion. It also stresses the importance of combination of integrated policies. Countries that have made progress on credibility (such as anti-corruption reforms) but did not deliver visible results, often failed to sustain momentum. Likewise, countries that delivered visible results, but did not root them in solidarity-building change or secure credibility, often faced reversals.

Figure 22. Policy approach to tackling inequality and exclusion



Source: Pathfinders, From Rhetoric to Action: Delivering Equality and Inclusion, 2021. p. 10.

The present chapter applies the above model to youth unemployment, and proposes practical

solutions to help reduce inequality in youth unemployment (figure 23).

1. Delivering visible impact

Provide further support to vocational skills training to match labour market demands, offer youth labour guarantees, and promote jobs for young people.

Make use of existing and emerging technologies to boost job creation and develop policies in sectors that are negatively impacted by advances in technology.

Figure 23. Applying the three-pronged policy approach to youth unemployment

Delivering visible impact	Securing credibility	Promoting solidarity
<ul style="list-style-type: none"> ● Provide vocational training and youth labour guarantees ● Make use of technologies to boost job creation ● Urge education institutions to encourage entrepreneurship ● Develop national action plans targeting youth employment ● Offer placements and internships to lay the foundation for a career ● provide career guidance and advice to students ● Establish youth technology entrepreneurship ● Scale up volunteer initiatives ● Ensure equity in access to learning ● Provide quality basic education ● Increase the quantity and quality of digital access 	<ul style="list-style-type: none"> ● Coordinate between government ministries, agencies, and service providers ● Conduct measurement and evaluation of labour market programmes ● Promote open data and transparency ● Collect labour market data on youth participation 	<ul style="list-style-type: none"> ● Establish a solidarity fund to create opportunities for youth ● Improve employment prospects for young people ● Support young entrepreneurs ● Connect young people to support from older generations and the private sector ● Ensure youth initiatives reach marginalized groups ● Increase the number of women in employment and in management positions ● Forge partnerships between schools, Government and employers ● Include the voice of young people and marginalized groups in the design of youth programmes (community-driven development)

Source: Pathfinders, From Rhetoric to Action: Delivering Equality and Inclusion, 2021. p. 10.

----- Urge education institutions to encourage entrepreneurship by including it in curriculums, and by working with employers to offer students appropriate coaching and training.

----- Ensure that Governments develop national action plans targeting youth employment, including comprehensive strategies for young people who are not in employment, specifically aimed at creating jobs for this cohort through the establishment of enterprise incubation programmes, online training courses and infrastructure projects that hire and train young people. Governments should also incentivize education institutions and business operators to do the same.

----- Make sure placements and internships include high standards of training and supervision, and offer some form of fair minimal pay to engage young adults.

----- Promote career guidance at schools where specialist teachers advise students early on in their schooling to tap into their skills and help steer them on a successful career path.

----- Introduce digital and entrepreneurship skills to school children to enhance their future career opportunities and add value for the employer.

----- Channel more innovation and brainpower towards scaling up volunteer initiatives.

-
-
- Ensure equity in access to learning for students from under-privileged backgrounds by providing printed assignments to learners who do not have access to the Internet or computers, and forge partnerships with post office services to deliver worksheets to be completed at home.

2. Securing credibility

- Develop public employment services to increase support for young people applying for jobs and making decisions on jobs, and to give young people a good start in the labour market.
- Promote collaborative coordination between government ministries, agencies and service providers in transiting to decent jobs, and thus reduce school-to-work transition time intervals.
- Ensure more efficient monitoring and evaluation tools of youth activities and labour market programmes to ensure

3. Promoting solidarity

- Establish a solidarity fund from outside the fiscal space to generate more opportunities for young people.
- Improve employment prospects of poor and vulnerable groups, and of poorly integrated new labour market entrants, by creating targeted labour market programmes.
- Strengthen employment prospects for young people and vulnerable groups by promoting social protection schemes and creating targeted labour market programmes.

- Strengthen the education system and curriculums to guarantee quality basic educational for all students.
- Increase the quantity and quality of digital access and further reduce costs across the region, while ensuring gender parity in online access and mobile use.

effectiveness and reachability to disadvantaged and marginalized groups.

- Develop policies and strategies for open government to promote open data and transparency, and to foster citizen participation and engagement.
- Invest in labour market data on young people to monitor and identify supply and demand gaps so as to tackle youth job market challenges. Establishing a youth recovery barometer for the Arab region could track life paths and labour market outcomes for young people between now and 2030.

- Support young entrepreneurs by developing policies that build a culture of entrepreneurship in higher education and facilitate financing for entrepreneurship and incubators; and enhance the startup process of entrepreneurship by creating a one-stop-shop.
- Build a coalition to connect young people with older generations and the private sector to establish an intergenerational dialogue and facilitate the transfer of knowledge and best practices.
- Ensure that youth initiatives reach marginalized groups through legislation and policies to

increase the number of women and persons with disabilities across the workforce, and support their access to training opportunities.

- Revisit national youth strategies and adjust labour regulations to ensure greater inclusion and participation, and develop special plans for marginalized groups.

- Increase the number of women in employment and in management positions by developing national policies on women's economic participation, introducing flexible work arrangements, and establishing special quotas for women in managerial positions.

- Forge partnerships between schools, Governments and employers to allow schools to align their curriculums and student skills with employer needs. Schools need to develop the

skills students need to enter the workforce, particularly digital literacy skills, this facilitating the transition from school to the work.

- Include the voice of young people and marginalized groups in the design of youth programmes (community-driven development) and in decision-making processes on policies related to their lives, and hold a consultative process with them on issues related to their lives and future.

Implementing the above three-pronged model requires sound partnerships between Government, community groups, civil society organizations, the private sector, United Nations organizations, and labour unions. Creating opportunities for young people depends on such partnerships. Such opportunities include better education, internships, mentorships and jobs.

B. Practical regional initiatives

Before proposing practical solutions to translate the above policies into action, it is necessary to understand the skills available in the market and the demand for jobs. To facilitate this, ESCWA has developed the Skills Monitor, which comprises big data from online job openings in the Arab region. This is a data-and artificial intelligence-driven tool, built inhouse for the collection, processing and analysis of online job openings in the Arab region.⁸⁸

The data strengthens analysis of whether the type of skills and jobs demanded in the region address the needs of the Fourth Industrial Revolution and the new era of economic development. The Skills Monitor facilitates investigation of the types of skills and jobs needed, their

interconnectedness, and opportunities for re-skilling and upskilling, including skills that are trending.

Analysis by ESCWA shows that business administration skills are the most demanded hard skills in Arab labour markets, while communication is the most demanded soft skill. The analysis finds that women are less likely to telework than men, and are mainly demanded in entry-level positions. Unlike global trends, the Arab region is struggling to attract many jobs that require future work skills, such as cloud computing, blockchain, machine learning, and augmented virtual reality. If this trend persists, the Arab region may once again be missing the opportunity for a successful structural transformation by sticking to traditional sectors and subsectors where

labour substitution may be on the rise, thus resulting in structural unemployment.⁸⁹ Furthermore, 50 to 85 per cent of the jobs today's learners will be doing in 2030 have not yet been created, owing to rapid technological

change and its impact on economic and social life. In other words, today's young learners are not getting equipped with the needed skills to secure jobs in the future.

1. Solidarity fund

Given the limited fiscal space in Arab countries, governance shortfalls, rising poverty, and the unprecedented economic and financial disruptions caused by the COVID-19 pandemic, a solidarity fund should be established to facilitate shared responsibility and societal solidarity, especially since no country can eliminate underlying inequalities on its own. The proposed solidarity fund should be outside the public budget and managed by the wealthiest people, with funds expected to be sourced from lump sum

contributions, regular contributions, or proceeds of certain assets.

The solidarity fund would contribute to closing the poverty gap, as it aims to uplift and create opportunities for the most marginalized populations, such as the poor, the displaced and older persons. Rooted in principles of solidarity, the fund would mitigate human capital flight and promote domestic job mobility, thus contributing to improved shared wellbeing. By empowering the poor,



A triangular partnership approach is a key transformative policy, including public-affluent-poor (PAP) partnerships and public-business-citizen (PBC) partnerships. PAPs, embodied in mechanisms such as the creation of a societal solidarity fund that targets the poor and creates opportunities for upward mobility and economic benefits, entrepreneurial ventures and innovation, can help assuage growing social tensions between the rich and poor. PBCs, reflected in mechanisms such as shared ownerships in privatized and transformed public economic activities, create economic opportunities for all, and can help in mitigate the growing economic conflict between businesses and citizens.



Rola Dashti, Executive Secretary of ESCWA

solidarity transfers can help to achieve more political and economic stability in terms of trade, tourism and capital inflows, which boost local economic activity and ease access to new resources.

The solidarity fund should complement government efforts by effectively identifying beneficiaries to tackle exclusion, especially social exclusion, based on transparency and public disclosure to ensure that no one is left behind. Therefore, the contribution of the wealthiest individuals aligned with government efforts based on effective management play an important role in ensuring the sustainability of the fund.

The solidarity fund could benefit from the rechannelling of special drawing rights (SDRs) and other financing instruments tailored to provide funding, active policy measures, and key performance indicators and

monitoring programmes to Arab countries. The funds governance mechanism should include an advisory board and a technical steering committee to organize and govern the fund's operations, supported by a programme management team.

The fund can be used in to promote growth by encouraging informal businesses to apply to informal sector social insurance funds, while also contributing to the formal economy by strengthening the skills of Arab young people to prepare them for the labour market, investing in social entrepreneurship SMEs to accelerate employability and encourage innovation, allocating funds towards agriculture to assist poor farmers, investing in digital transformations, and promoting the development of SMEs towards green inclusive recovery.

2. Regional coalition

Aimed at strengthening solidarity and providing a better future for all, the regional coalition will focus on addressing youth unemployment as a major type of inequality in the Arab region. It will connect young people with the private sector to establish an intergenerational dialogue and facilitate the transfer of knowledge and best practices. It will also help create opportunities for young people from all walks of life to join the labour market, and address prejudicial attitudes in the labour market, especially towards underrepresented groups such as women and persons with disabilities. The coalition should create a platform that provides exposure for new business partnerships, matches candidates to jobs more efficiently, forges partnerships with academic institutions, facilitates social dialogue, and remedies labour market imbalances, thus closing the future skills gaps through technical and vocational education and training (TVET).

The regional coalition should be a catalyst to bring together private sector leaders and organizations to make commitments to reduce inequalities among young people in the job market through creating learning opportunities, training, internships, and mentorship programmes.

Through ESCWA governmental platforms, the coalition will facilitate dialogue between the private sector and Governments, especially ministries of labour and social affairs in the Arab region. It will also facilitate dialogue between young people seeking jobs and the private sector, so as to allow for an intergenerational dialogue on the needs of the job markets, especially the skills needed in the new future of work.

C. Financing options

Key gaps in financing continue to undermine the ability of Governments to create opportunities for young people and reduce unemployment.

The dominating narrative has been that government spending cuts are inevitable during recovery and adjustment periods, especially given the current state of fiscal imbalances with soaring public debt levels, limited liquidity, greater trade protectionism, and capital (both domestic and international private investments) unaligned with long-term sustainability horizons.

However, there are alternative financing opportunities for young people, even in least developed countries. At the global level, the proposed global fund for social protection,⁹⁰ the G20 proposed mechanisms to pool resources for pandemic prevention and response, and the ambitions set out in the Global Accelerator⁹¹ to create 400 million decent jobs in green and care economies, can provide the funding needed for new youth opportunities. At the regional and national levels, the following alternatives can provide pathways to end the pandemic of inequality.

1. Regional financing pathways

- The Arab Financing for Development Framework, endorsed by ESCWA member States, provides several pathways to finance national sustainable development goals and sectoral development plans. The framework identifies financing channels and an array of financing solutions that can be mobilized from public, private, domestic, international, traditional and innovative sources to bridge the region's SDG-financing gap, estimated at \$6 trillion.
- The ESCWA-proposed solidarity fund provides could create opportunities for vulnerable groups and ensure upward mobility.⁹² In addition, the proposed solidarity wealth tax of up to 3.2 per cent on the wealth of the region's top decile could contribute to closing the poverty gap.⁹³
- Redirecting 10 per cent of the newly acquired Arab allocations of SDRs to finance a regional trust could mobilize \$3.7 billion for the creation of youth opportunities, especially new jobs. The trust can be further capitalized if G20 countries rechannelled unused allocations to meet the global ambition of directing \$100 billion worth of SDRs in voluntary contributions.
- Putting in motion a regional financing equalization vehicle would mobilize additional resources by establishing the much needed Arab social and cohesion fund as one of the instruments (missing elements) of the Arab customs union. Moreover, the foreseen collection and redistribution of common external tariff revenues and fiscal charges having equivalent effect among members of the Arab Custom Union provides another pathway to finance new opportunities for young people, estimated at 6-8 per cent additional trade tax/tariff revenues on average from baseline levels over the period 2016-2025.⁹⁴
- Reconsidering the results of the 2015 review conducted by the Arab Monetary Fund on the operation of Arab financial institutions, which at the time concluded that existing Arab financial institutions and development agencies had adequately covered the financial needs of Arab countries. Yet, the cumulative aggregate assistance provided by Arab development funds to Arab countries only reached 55 per cent of the total financing provided to other regions.⁹⁵

2. Country experiences and evidence-based financing alternatives

- The following alternatives could be explored as financing options to provide a variety of revenue-creating choices to address vital social investment gaps.
- Reallocating public spending: reprioritize budget allocations through medium-term expenditure strategies and enhancing public financial management to redirect/generate jobs for young people by eliminating spending inefficiencies. Egypt for example, created the Economic Justice Unit to review its expenditure priorities, and is seeking to optimize its spending by transitioning to SDG-centric budgeting and planning.
- Rationalizing subsidies: Arab countries continue to spend more on energy subsidies than other regions worldwide, and account for a quarter of global energy subsidies.⁹⁶ According to IMF, each dollar of government resources removed from energy subsidies and placed towards productive investment translates into two dollars of added growth.⁹⁷ The removal of fuel subsidies could raise GDP by 2 percentage points and allow for a 40 per cent increase in social protection spending.⁹⁸
- Recalibrating expenditure priorities: other developing countries, such as Costa Rica and Thailand, opted to shift savings from military spending cuts to finance universal health coverage. In 2020, the Arab region suffered an opportunity cost of \$80 billion owing to excessive military spending, which could have otherwise been directed to finance the creation of new opportunities and jobs for young people (6 per cent of the region's aggregate output is allocated to military spending, exceeding the region's financial and budgetary allocations to health and education).
- Rationalizing fiscal incentives: Arab countries tend to provide excessive fiscal incentives and allowances, including deductibles, exemptions, exclusions, accelerated capital depreciation, favourable audit settlements and other credits, to multinational corporations to attract their FDI. A cursory quantification by ESCWA indicates that the costs/revenues foregone to tax incentives amount on average to nearly 60 per cent of potential tax revenues for the region, which poses a hefty opportunity cost to finance growth and youth employment.
- Raising domestic public resource mobilization capacities: prudent public financial management and effective domestic resource mobilization capacity can be bolstered by enhancing tax progressivity and fairness: shifting broad-based regressive indirect consumption taxes to other forms of direct taxation, including corporate and property taxes, thereby reducing inequality. For example, raising the tax collection efficiency/revenue-to-GDP ratio in Arab middle-income countries to the average level of OECD would increase public revenues by as much as 45 per cent in some Arab countries, which could be directed to finance youth employment opportunities, noting that the Arab region's financing gap associated with establishing social protection floors represents 45 per cent of tax revenues.⁹⁹
- Broadening the tax base through innovative means: Ghana and Maldives, for example, opted to enforce new taxes on tourism to expand social protection. Along the same lines, a 10 per cent levy on international tourist arrivals to the region (116 million tourists generating \$135 billion in 2019) could have spurred 13.5 billion in financing. Fiscal charges on entry visas and on trade consignments have also been contemplated by the World Trade Organization to generate resources for developing countries. Airline solidarity contribution/tax is

considered an innovative attempt to spur financing (84 million passengers from the region in 2020). Carbon taxing also provides pathways for additional financing, totalling 1-2 per cent of GDP for a \$35 per ton tax. Bolivia, for example, imposed a Direct Hydrocarbons Tax that increased the State's stake in the commercial value of production to 50 per cent, enabling the country to embark on an unique redistributive role of the State by financing the country's cash transfer programmes and non-contributory pension system.¹⁰⁰

- Reallocating corporate responsibility and combating corporate profit shifting: the global corporate reforms to be enacted in 2023 along with the reallocation of new taxing rights to Arab countries, including the enforcement of the proposed global minimum effective corporate tax rate of 15 per cent on in-scope multinational corporations, could provide opportunities to combat profit shifting and finance youth employment opportunities through an estimated \$9 billion in annual revenues. The new "subject to tax rule" under pillar two of the Inclusive Framework could generate additional public revenues for the Arab region by taxing repatriated foreign passive income (up to 9 per cent), but requires a thorough review of tens of Arab bilateral tax treaties.
- Ending public revenue leakages: enhancing tax compliance and collection efficiency and reducing tax arbitrage, including the elimination of asymmetric treatment of capital gains, can create more fiscal space for social protection. The Arab region is losing an estimated \$8.6 billion in tax revenue leakages owing to corporate tax abuse. Eliminating tax leakages would provide new sources of funding.
- Raising solidarity contributions and other public revenues: according to IMF, a solidarity tax could help finance recovery through surtaxes on personal

incomes and on excess corporate profits.¹⁰¹ A one-off non-distortionary levy on wealth is unlikely to be achievable in practice, given the difficulties of estimating and collecting such a levy. More important would be to define the scope and the deadweight costs of collecting a solidarity levy/tax, and whether it would apply to high-income brackets or as a new tax base, which could be socially/politically unsustainable. Reviewing economic rents and profit sharing agreements can provide alternative public revenues for finance. For example, Bolivia and Zambia are financing universal pensions from mining and gas taxes.

- Eliminating illicit financial flows and redirecting the gains to universal social protection: the Global Partnership for Sustainable Development seeks to clamp down on all forms of illicit financial flows (IFFs) and redirect the proceeds of crime, corruption, money laundering, trade misinvoicing, tax evasion/avoidance and other financial crimes to create fiscal space to support the implementation of the SDGs. IFFs associated with trade misinvoicing in the Arab region account for \$77.5 billion in lost annual public revenues, or several multiples of what the region receives annually in ODA, which represents a hefty opportunity cost that could have otherwise generated enough financing for new jobs.¹⁰²
- Improving State reserves: this involves drawing on State revenues stored in special purpose vehicles (SPV), including sovereign wealth funds, such as in the case of Chile and Norway. The Arab region maintains surplus reserves that cover more than 20 months of import, which is eight times higher than the international benchmark, and nearly double the average reserves maintained by high-income and middle-income economies. Kuwait, Saudi Arabia and the United Arab Emirates maintain three of the world's top 10 sovereign wealth funds, with an aggregate capitalization of almost \$2 trillion in 2020.¹⁰³

----- Considering social impact bonds and debt restructuring: social impact bonds (SIBs) are a kind of debt-based, public-private-partnership, in which investors put funds upfront into a programme and get paid when results are achieved within a pre-determined period of time. The majority of SIBs worldwide are focused on employment (26 SIBs), child welfare (eight SIBs) and education and health (six SIBs). The global value of sustainability-themed investment products amounted to \$3.2 trillion in 2020, including social bonds worth \$212 billion, and mixed-sustainability bonds worth \$218 billion, which are mostly channelled to developed countries.

----- Implementing debt service suspension, debt relief and restructuring: an increasingly common strategy to alleviate countries' fiscal pressures, especially those suffering from exorbitant sovereign debt levels, including debt swaps/conversions for social purposes as in Ecuador. However, the G20 debt service suspension initiative needs to be rolled beyond 2021, and should be broadened to capture debt vulnerabilities of middle-income countries. In addition, the G20 Common Framework for Debt Treatment should be reviewed, as only three countries (Chad, Ethiopia and Zambia) have applied for debt relief under it, although 60 per cent of low-income countries are at high risk of – or are already in – debt distress.¹⁰⁴ Public debt in the Arab region reached a historic high of \$1.4 trillion following the COVID-19 outbreak, and Arab middle-income economies hold close to half of the region's public debt stocks, where debt servicing consumes more

than \$20 billion, which could have been directed to other usages, including closing the financing gap in employment.

----- Reducing remittance transfer costs: remittances from migrants constitute a vital source of finance for more than 26 million households in the Arab region. Remittance flows exceed the aggregate financing that the Arab region receives from both FDI and ODA flows combined. However, transfer costs in the region remain higher than the global average. Reducing remittance costs in line with SDG 10.c could have generated on average \$2.6 billion per annum in additional remittances for migrant families to help them cover their food, health and education expenditures. Moreover, had these costs been reduced, as called for in the Addis Ababa Action Agenda and SDG 10, the Arab region could have mobilized \$26 billion between 2011 and 2020 and channelled them through national funds/trusts to support new youth opportunities.

----- Fulfilling unmet ODA commitments: had the Development Assistance Committee delivered on the promise of committing 0.7 per cent of GNI as ODA, the Global South and developing world would have witnessed a 2.5 increase in their ODA. Based on historic averages, the Arab region could have witnessed a rise in its ODA allocations to \$428 billion, subject to increasing absorption capacity, applying aid effectiveness principles, and ensuring that ODA allocations are made and disbursed as committed.

D. Government as a catalyst for equality

To implement the above policies, the State needs to efficiently manage its institutions, and produce good quality data that are essential to achieving economic and social progress and delivering equality. Countries everywhere must respond to constant and accelerating

change if they are to govern effectively, overcome the challenges of inequality, and meet the reasonable expectations of citizens. Effective Government and accurate data are essential to reducing inequalities and enabling progress.

The Arab region continues to struggle with outdated bureaucratic structures and widespread corruption, which hinder institutional effectiveness and erode accountability.¹⁰⁵ Public institutions play a central role in economic and social development, because they shape the incentives of key economic actors in society, influence investments in physical and human capital and technology, and impact the organization of production. Weak institutions are often the main reason why countries fail.

Governments and State institutions must implement measures to achieve full economic and social potential. In addition to dealing with economic and societal problems such as youth unemployment, the climate crisis, welfare

gaps and social instability, Governments now face challenges caused by the rising cost of everyday essentials.

The pandemic highlighted the role of digital government, aimed at accelerating digital transformation to help countries recover, based on an overarching digital and green transformation strategy. Governments globally are embracing the use of data to deliver agile and better services, run internal operations and create informed policies, while leveraging technology to keep citizens connected and engaged, and addressing their needs directly.

These government-based reform must go hand-in-hand with improving transparent and accountable collection,



To reduce inequalities, it is essential to reassert the role of government as the overall guarantor of equal economic and social rights, and implement economic and social policies to equitably redistribute resources.

analysis and timely availability of public statistics and data. Data need to be disaggregated by gender, age, location, ethnicity, religion, disability and migratory status, through enhanced systems of vital registration, including for non-nationals. Such data systems need to be supported by statistical literacy programmes to spur data usage and evidence-based decision-making, by engaging stakeholders in monitoring and evaluating policies and advancing intersectoral analysis. This will equip planners and policymakers with the necessary means to plan and forge policies in a holistic, systemic and evidence-based manner.

A new social contract is needed to address inequalities in the region: one that includes a combination of integrated policies, and a financing plan for reducing inequality that considers the intersectionality of inequalities. A renewed social contract built on trust and a perception of fairness between the Government and citizens is vital to encourage citizens to commit to it. The new social contract must have practical short-medium and long-term actions that take into account the impact of new technologies, climate change and other risks. It should be developed based on participation and consultation with all national stakeholders, including the business sector, civil society and citizens themselves.

Conclusion





The present report discussed existing inequalities and disparities in the Arab region, ranging from inequality in income, opportunities, wealth, gender and climate change. It highlights that heightened social and economic inequalities are potential seeds of discontent, and provide fertile ground for unrest and tension by leaving millions of young people with unrealized potential and ambitions. Most importantly, inequality hinders national efforts on leaving no one behind, and undermines the realization of the 2030 Agenda.

In a time of growing inequality and social exclusion, the accumulation of economic and social tensions, particularly exacerbated by the greatest cost-of-living crisis in the past 25 years, have the potential to significantly increase disaffection and alienation among Arab populations, who continue to face unemployment, poverty, exclusion and social deprivation.

Inequality is the result of policy choices. Reducing inequalities requires reasserting the role of the State as the guarantor of equal economic and social rights, and implementing policies to equitably redistribute resources. This is a political process first and foremost. At the national level, it necessitates structural reforms and changes in economies and institutions, as well as social and legal changes to promote equality and social inclusion. The present report is a step forward in that process. It is necessary to bring all sectors of society together across the region, by forging partnerships between Government, business, trade unions, international organizations, and civil society.

For this shift to occur, there is a need to utilize the enormous advantages in the Arab region: people with talent, energy and enthusiasm; strong networks of family and kinship relationships; abundant natural resources; a strategic location; and a common historical, cultural and spiritual heritage, bound by the Arabic language and linked through geographical proximity.

Implementing the actions outlined in the present report is fundamental to achieving the positive differences that policy can make to the lives of people in Arab countries. The practical solutions presented in the report are realistic yet ambitious, and set a course for real change in the areas that matter most to Arab citizens to guarantee a better quality of life for all.

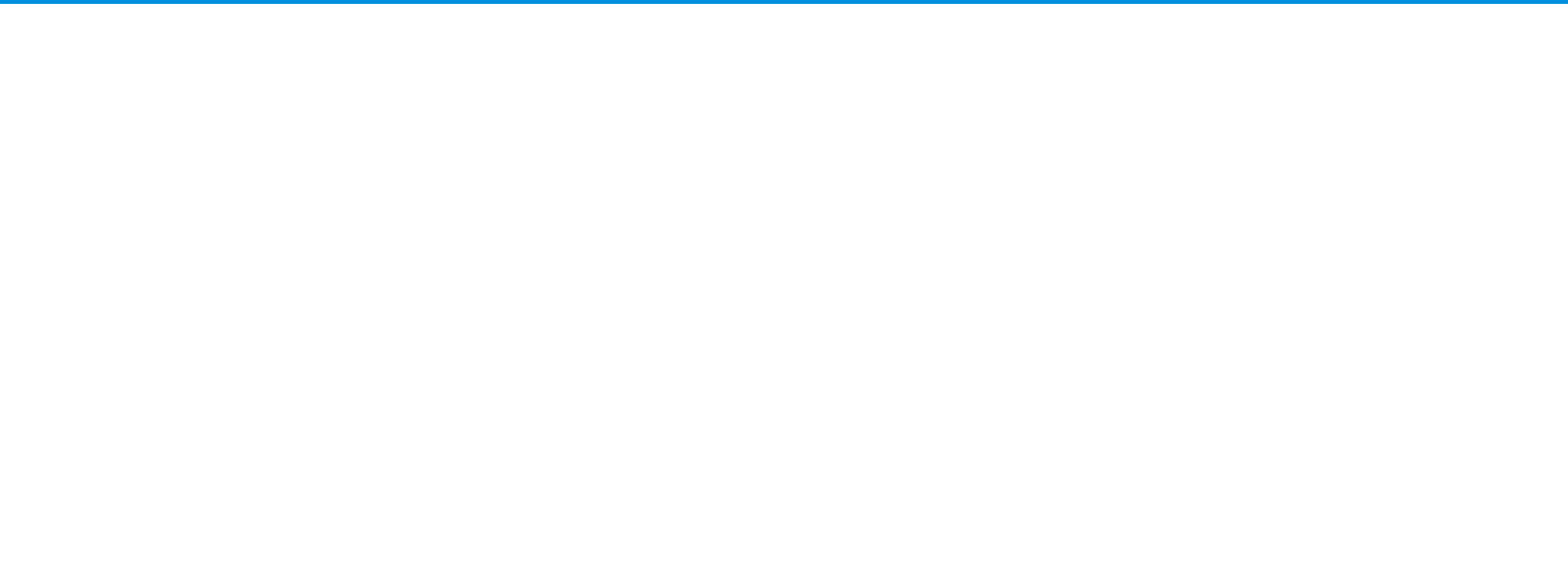
Endnotes



1. The number of newly unemployed people in the Arab region is calculated by ESCWA as follows:
 - Unemployment in 2019 was 10.207 per cent (43,672,719 people), and the region's population in 2019 was 427,870,273.
 - Unemployment in 2021 was 11.8 per cent (52,452,770 people) and the region's population in 2021 was 444,515,000.
 - Total newly unemployed: 8,780,051. Sources: World Development Indicators; ESCWA, Realities and Prospects, 2022.
2. Pathfinders, From Rhetoric to Action – Delivering Equality and Inclusion, 2021.
3. Based on UNFPA data, available at www.unfpa.org/data/world-population-dashboard.
4. ESCWA, Arab Sustainable Development Report, 2020, p. 219.
5. ESCWA, Trends and Impacts in Conflict Settings: Conflict and MDGs, Issue No. 2011,2.
6. Lucas Chancel and others, World Inequality Report, 2022.
7. ESCWA calculations.
8. Extreme income poverty refers to the percentage of the population living on less than 1.90\$ per day.
9. ESCWA, Arab Sustainable Development Report, 2020.
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11. World Inequality Lab calculations covering 20 Arab countries, excluding Libya and Saudi Arabia.
12. The GDP per capita of Qatar was \$50,124.4 in 2020, while that of Yemen was 758.1\$ in 2020 [Source: World Bank data].
13. ESCWA calculations based on World Economic Forum, Global Gender Gap Report, 2021.
14. The gender gap is measured according to four key dimensions: economic participation and opportunity; educational attainment; health and survival; and political empowerment.
15. World Economic Forum, Global Gender Gap Report, 2021.
16. ESCWA calculations based on data from the global gender gap reports of the World Economic Forum.
17. Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, the Syrian Arab Republic, Tunisia, the United Arab Emirates and Yemen.
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Inequality is high and growing across the Arab region. Tackling inequalities in Arab countries must go beyond superficial and temporary fixes, to fundamentally reforming the root causes of development challenges. This requires addressing structural and institutional deficits, strengthening governance, and formulating evidence-based policies. The region faces various economic and social challenges, including low growth, rising poverty, youth unemployment, persisting gender inequalities, large numbers of refugees and internally displaced persons, and the numerous repercussions of the COVID-19 pandemic. Official unemployment rates in the region remain high by global standards, and female and youth unemployment rates are among the highest worldwide.

Inequality in the Arab Region- A Ticking Time Bomb builds on the Pathfinders flagship global report entitled *From Rhetoric to Action: Delivering Equality and Inclusion*. The present report analyses selected forms of inequalities that were exacerbated by recent developments globally and regionally. It provides practical policy solutions that may help Arab countries tangibly reduce inequality, particularly the pertinent challenge of youth unemployment.

