

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.

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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.

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

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

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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.

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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).

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

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“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

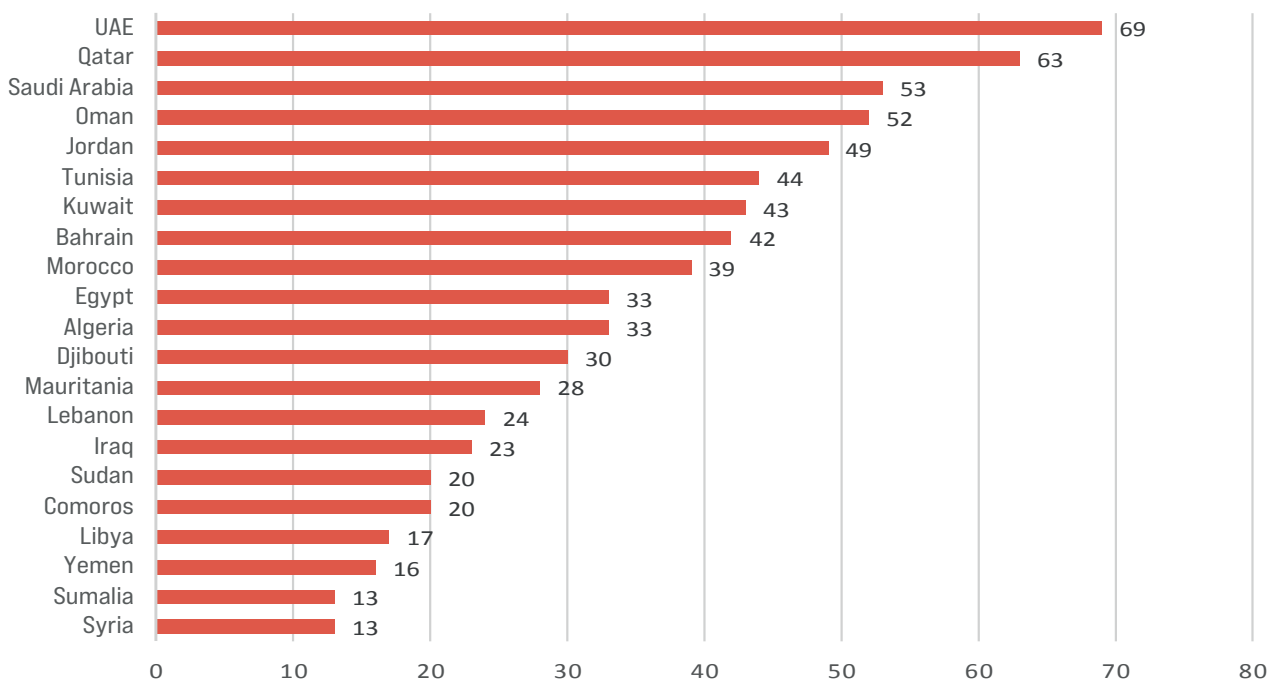
4. Weak institutions

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

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.

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

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: <ul style="list-style-type: none"> 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.