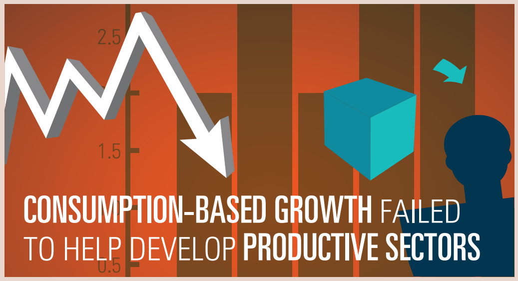
3

Socioeconomic structural challenges



Consumption-based growth has failed to help develop sustainable productive sectors.

Inadequate social infrastructure has weakened population resilience and ability to resist disease and develop economic potential.

Imported development policies have weakened State institutions and failed to bring about equitable social and economic development.

Worsened poverty has been a consequence of all these issues. Therefore, new approaches are essential to reverse the negative trends.

This section analyses the process of both economic and social development and growth in these countries, starting with the size and structure of the economy as a whole, its growth rates, the extent of its sustainability and its inclusion, in addition to shedding light on the macroeconomic problems such as unemployment and inflation. It then assesses the strengths and deficiencies of societal development in Arab LDCs, including health, education, social and physical infrastructure and technology needed for sustainable development. The influence of international institutions on development policies and the overall impact of all these aspects on the poverty situation in the countries complete the analysis. The comparative cross-country analysis is a more appropriate method based on assumptions regarding homogeneity and independence.[38] The investigation is implemented at two levels: the external level, comparing the Arab LDCs to other LDCs worldwide as a whole; and the internal level, comparing the four Arab countries to each other.

A. Weak economic growth

Fundamental structural features of these countries are among the factors which explain their weak growth. Growth rates in all four countries have been characterised by significant decline during the decade. GNI per capita has been dropping gradually and continuously in Somalia since 2010, starting from a very low base of less than $200. Mauritania witnessed a slight pick-up in 2017, following drops from 2013 while both the Sudan and Yemen saw very significant drops from the middle of the decade onwards. Similarly, GDP growth in Yemen gradually collapsed into negativity due to the protractive armed conflict, with a 50 per cent contraction in real GDP between 2014 and 2020 (MOPIC Soc-econ update July 2020 p 1). The drop would have been even greater without the financial support provided by Saudi Arabia to the Central Bank [Aden] for imports.[39] GNI decreased in 2014, despite the historically inconsistency of Yemeni GDP since 2011. Growth in the Sudan also took a sharp drop in 2019 due to the political upheavals there during the year, while, again, only Mauritania saw a slight rise. GDP in all these countries is dominated by private consumption, followed by government consumption, and the elements that would usually create significant economic development, such as private investment, have not played any significant role in economic growth.

This distribution of GDP elucidates the development problems of these countries, as they show weak improvements in productive capacity, an issue raised by the IPoA. The fact that extractive activities are included in industry tends to mislead analysis as these sectors provide little employment, while agriculture is the largest employer with an average of 40 per cent of the population in Arab LDCs despite the fact that its contribution to GDP has declined to 18 per cent in these countries, though it is still much higher than in developing countries as a whole.

B. Limited natural resources

Among the structural constraints to economic development is the availability of natural resources in each country. While each country has a different situation in relation to natural resources, all have some minerals, using hydrocarbons, though in limited quantities. In all of them, agriculture, including pastoralism, is the main employer contributing less to GDP and fails to provide adequate living standards to its practitioners. With the exception of the Nile Basin in the Sudan, all the areas covered suffer considerably from extreme water scarcity. While limited rainfall reduces the potential for rain-fed agriculture, the worsening water crisis is leading to forced migration from the most affected communities. Yemen imports 90 per cent of its basic staples although more than half its population depends largely on agriculture for its income, and 70 per cent reside in rural areas.

C. Reliance on the export of unprocessed raw materials

All four countries primarily export unprocessed raw materials, losing the important added value and employment opportunities that come from processing. The extractive institutions of the Arab LDCs bear a great deal of responsibility for this lost opportunity and many LDCs have failed to develop their domestic productive capacity and remain heavily dependent on one or a few primary commodities for their export revenue. Consequently, they appear to exhibit tremendous economic volatility, creating macroeconomic uncertainty and widening income inequality. These are particularly noticeable in the export concentration index of these countries which declined from 0.61 in 2009 to 0.39 in 2018.

The Mauritanian economy is dominated by the extraction and export of oil and iron ore. Somalia's main export for decades has been livestock, primarily to the States of the Arabian Peninsula; this has been affected by the numerous climate emergencies of the past decades. The Sudan lost three quarters of its oil output when South Sudan achieved independence in 2011, but its main exports remain petroleum, gold and seeds. In Yemen, oil and natural gas made up 90 per cent of the country's exports and 88 per cent of FDI between 2005 and 2010. Since then, its hydrocarbon potential dropped from its peak production of 400,000 barrels per day to 125,000 by 2015, and has been reduced to insignificance in the second half of the decade in war conditions.[40]

The Sudan which was once expected to be the 'breadbasket' of the Arab region has been unable to fulfil this role, due to the mismanagement of its soils and, more recently, to the sale of large areas of land to foreign investors, resulting in population displacement and reduced employment of Sudanese smallholders but also the rapid deterioration of land resources through the mechanised farming programme on the rainfed areas of Kordofan.

Mauritania, Somalia and Yemen should all be able to rely on their marine fisheries, but in each case these resources have been depleted by international fleets, though fishery products remain major exports for Mauritania (34 per cent of trade value in 2018) and Yemen (5 per cent of trade value in 2019).

D. Agriculture and food security

There are different causes for the inability of agriculture to ensure food security in these countries, but they are all extremely dependent on imports for the most basic commodities. Despite the importance of agriculture in national employment, it is surprising how little it achieves as these countries are not able to feed their populations: even the Sudan, a considerable producer of food, still needs to import 34 per cent of the cereal it consumes. Table 8 shows the trend of high employment in agriculture alongside dependency on cereal imports across the Arab LDCs.

Despite its limited contribution to GDP, the importance of agriculture should not be underestimated given both the percentage of Arab LDCs' populations dependent on it, the large numbers of people living in rural areas and agriculture's potential which has largely been mismanaged. For most rural people, agriculture and livestock husbandry are a last resort that is extraordinarily important to their survival. Indeed, in Yemen, the only smallholders who can earn enough from their crops to sustain their households are those who cultivate qat whose market value is far higher than that of any other crop, including coffee. While reviled in international development circles, this crop and its complete value chain reduce the already excessively high poverty level in the country. While it is also blamed for high water consumption [about 40 per cent in the highlands where it is cultivated, not in the entire country] and it is harmful to health, it is no worse than tobacco; most importantly, it allows thousands to remain economically viable. Those to rail against this value chain should provide alternatives for rural and urban people. The increased droughts and floods brought about by climate change were, in 2020, complemented by a massive invasion of locusts, affecting the economic development of all these countries for at least a few years of the new decade.

Table 8. Arab LDCs' agriculture and food imports, 2019

	Population in agriculture (percentage)	Cereal imports (percentage of requirement)	Rural population 2019 (percentage)
Mauritania	60	64	46
Somalia	..	..	54
Sudan	65	34	65
Yemen	55	90	69

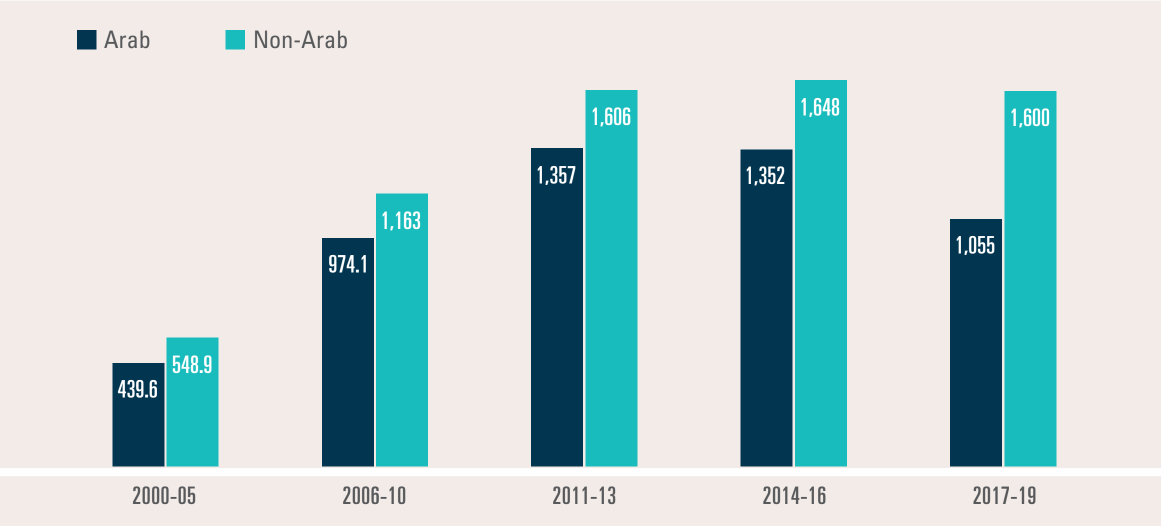
Source: World Bank, "Rural Population", World Development Indicators.

E. Macroeconomic factors

The first criterion utilised by the Committee for Development Policy (CDP) to identify LDCs is the GNI per capita in order to measure income and the overall level of resources available to a country. Figures 3 and 4 show Arab LDC's gross national income over the last two decades, and in comparison with non-Arab LDCs.

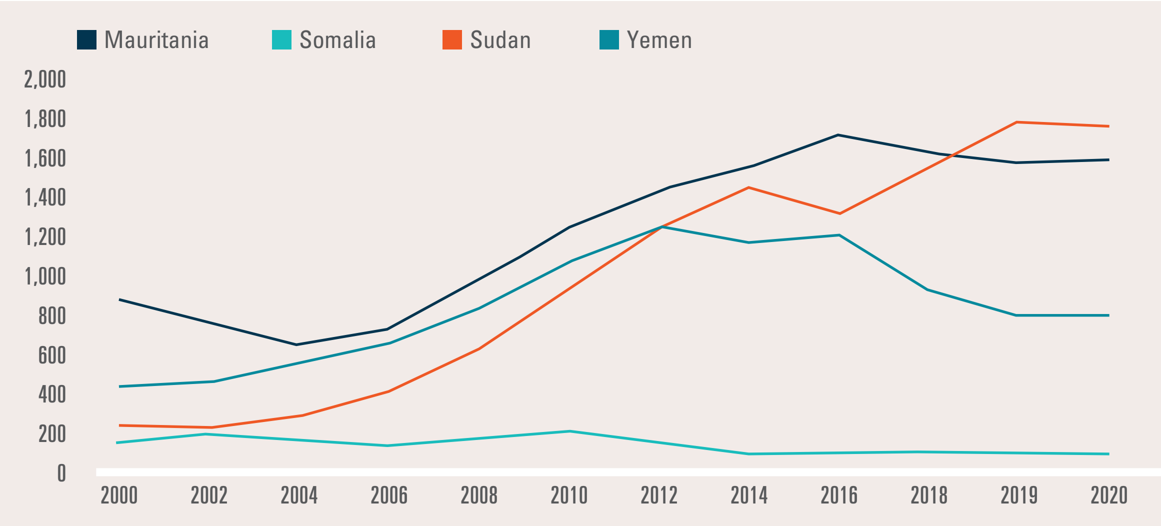
As seen in figure 5A, there is substantial variation between GNI per capita in Arab LDCs compared to other LDCs in the rest of the world.

Figure 4A. Arab and non-Arab LDCs' GNI per capita, 2000-2019 (Dollars)



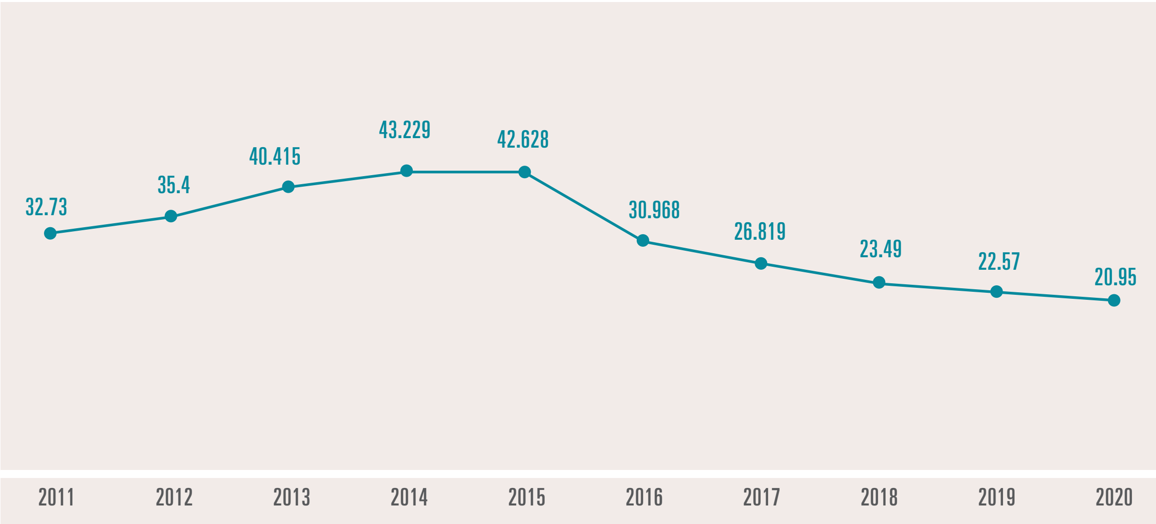
Source: ESCWA estimates based on United Nations, Department of Economic and Social Affairs (DESA), Statistics Division.

Figure 4B. Arab LDCs' GNI per capita, 2000-2019 (Dollars)



Source: *United Nations, Department of Economic and Social Affairs (DESA)*, Statistics Division.
https://www.un.org/development/desa/dpad/least-developed-country-category/ldc-data-retrieval.html.

Figure 4C. Gross national income in Yemen at current prices, 2011-2020



Source: International Monetary Fund, World Economic Outlook Database, October 2020.

Despite the relative closeness between their average GNI per capita figures for the period from 2000 to 2005 (a difference of roughly $100), the difference has increased almost six-fold when looking at the period from 2017 to 2019. It is also noteworthy that the GNI per capita in all Arab LDCs declined from 2013 to 2019.

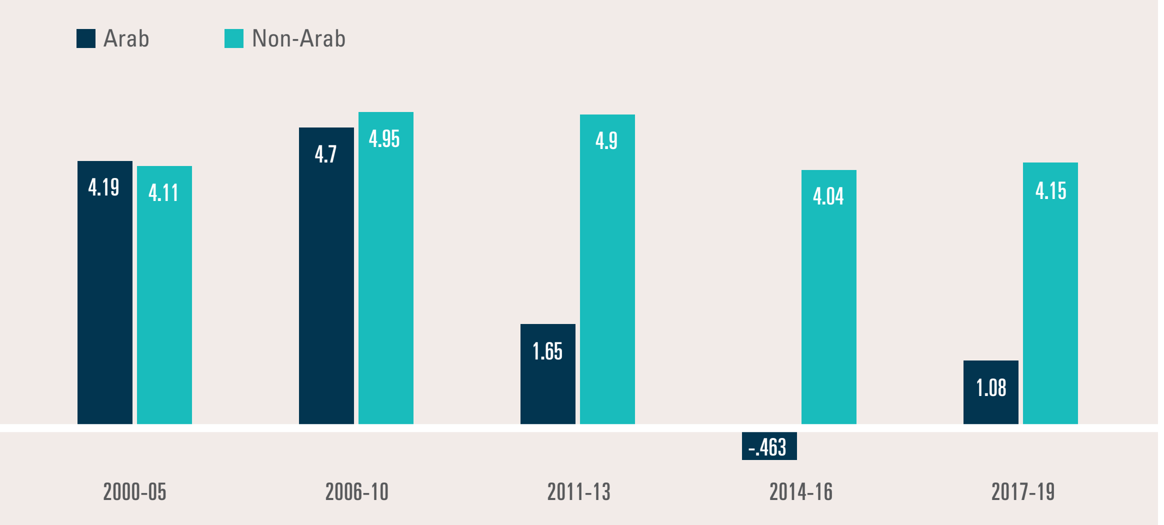
This deterioration was strongly associated with the popular uprisings and violence since 2011, which negatively influenced production and foreign exchange receipts within key income-generating sectors such as oil, agriculture, exports, FDI flows, infrastructure and remittances from labour migrants. For instance, remittances from expatriates are characterised by its relative stability and not affected by the conflict in Yemen. However, it represented the primary source of foreign currency from abroad to Yemen during the war period (2015-2017). Remittances from expatriates maintained their value at $3.3 billion during the period 2012-2015, then increased slightly to $3.7 billion in 2016 and was estimated at $3.4 billion in 2017.[41]

Figure 4B further illustrates this by showing the GNI per capita of the four Arab countries separately. Mauritania has the highest GNI per capita among the Arab LDCs with an average of $1,455, followed by the Sudan and Yemen, within a similar range, at about $1,100, and finally Somalia, with the lowest GNI per capita and an average of about $170 only. The GNI per capita of Somalia is far lower than that of the other Arab LDCs due to over three decades of turmoil and political instability. The country continues to struggle with recurrent food and nutrition crises, widespread insecurity, underdeveloped infrastructure and natural hazards such as drought and floods (figure 5A).

Despite the slight improvement over the period 2017-2019, the growth rate in non-Arab LDCs has been fourfold, which also decreased in the five years by 1 per cent compared with the period 2010-2015.

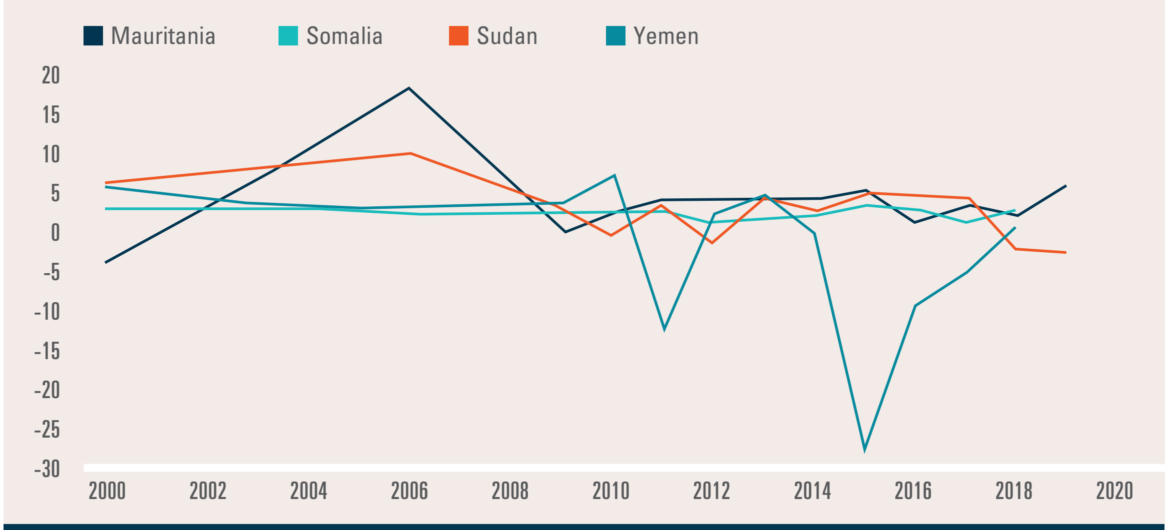
Low commodity prices impacted the recent decline of world LDCs in global markets, which led to hindered growth, diminishing foreign reserves, fiscal imbalances and currency depreciation. On the other hand, the situation in Arab LDCs was mainly the

Figure 5A. GDP growth for Arab and non-Arab LDCs, 2000-2019 (Percentage)



Source: ESCWA estimates based on World Development Indicators (World Bank, 2019).

Figure 5B. GDP growth for Arab LDCs, 2000-2019 (Percentage)



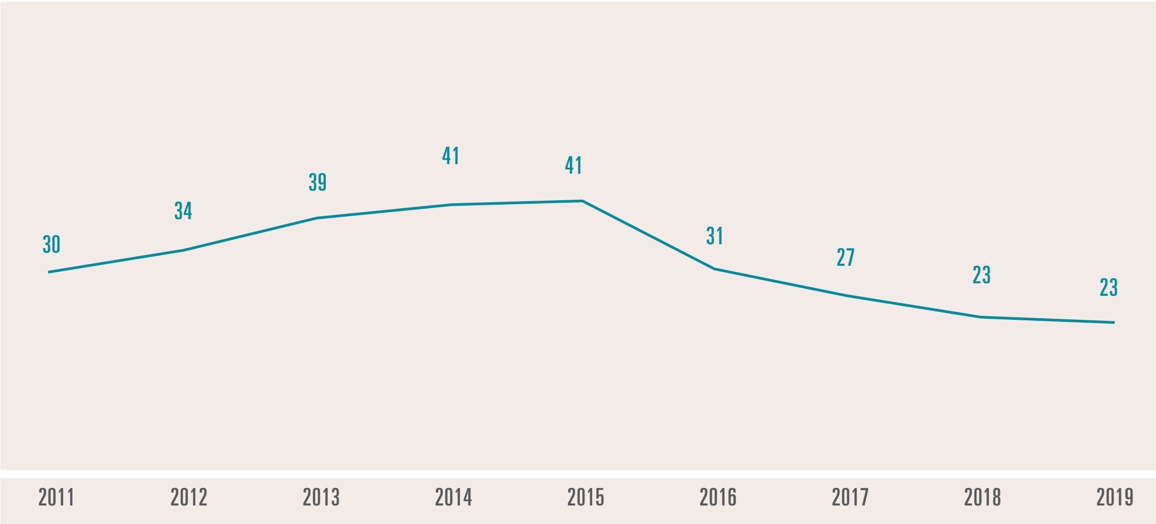
Source: ESCWA estimates based on World Development Indicators (World Bank, 2019).

result of the continued contraction in Yemen and the Sudan, worsened by the ongoing armed conflict as seen in figure 5B.

It is clear that Arab countries have lost a great deal as a result of their chronically low economic growth rates. If Arab LDCs had grown at the same rate as other countries, Arab LDCs' real GDP in 2019 would have been approximately $44 billion rather than $21 billion. In other words, Arab LDCs would have at least twice as much wealth as they have today, as seen in figure 6.

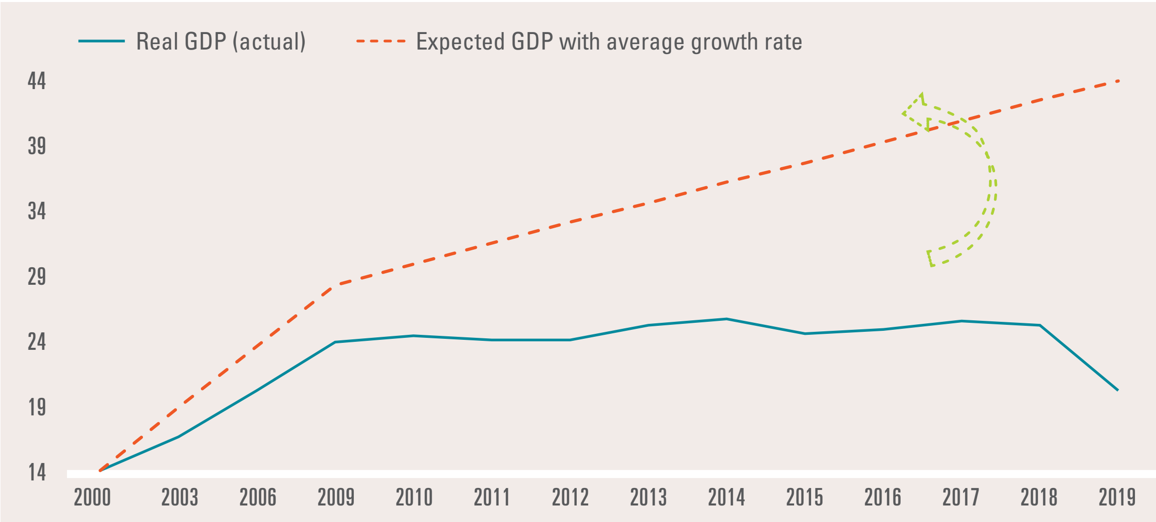
Prospects for growth have worsened in 2020 due to COVID-19 and political uncertainty. The Sudan's GDP is expected to decline by around 3.3 per cent in 2020. However, GDP

Figure 5C. GDP in Yemen at current prices, 2011-2020 (Billions of dollars)



Source: World Bank data.

Figure 6. Actual and expected GDP of Arab LDCs, 2000-2019

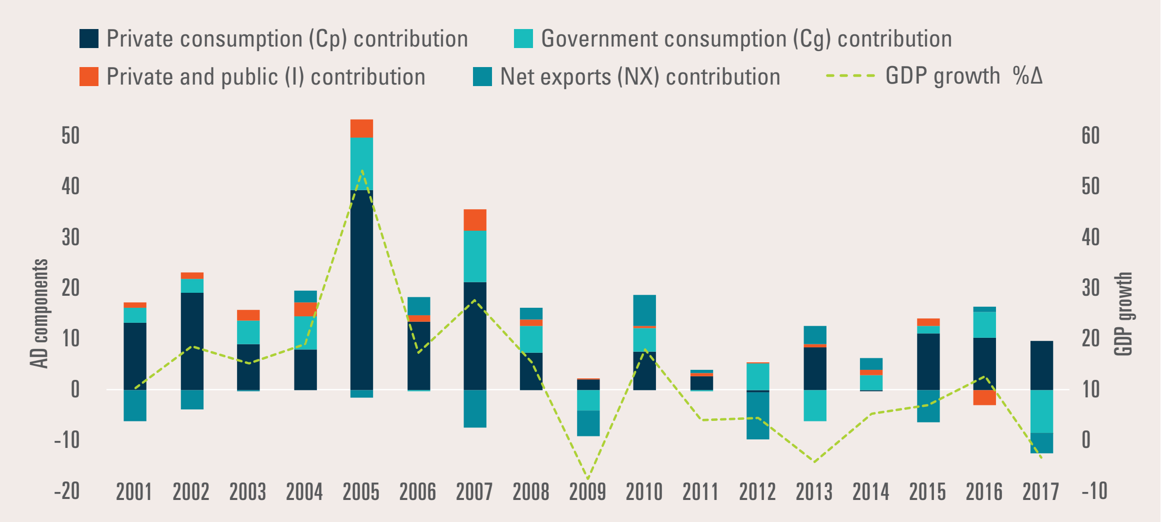


Source: ESCWA estimates based on World Development Indicators (World Bank, 2019).

growth in Mauritania and Somalia, whose economic conditions are more stable, is expected to decline by 1.2 per cent and 1 per cent, respectively, in 2020. Arab LDCs are also facing inflation, at 1.3 per cent and 5.4 per cent in Somalia and Mauritania, respectively, in 2019, while the Sudan's hyperinflation is estimated to reach 62.5 per cent in 2020.[42]

In seeking the real reasons behind the current growth pattern, it would be useful if we used the growth decomposition of aggregate demand approach. Understanding aggregate demand growth means recognising where the growth comes from. In relation to Arab LDCs aggregate demand, private consumption is the largest component of GDP, constituting almost three-quarters of it. The second-largest

Figure 7. Sources of GDP growth in the Arab region (2000-2018)



Source: ESCWA estimates based on World Development Indicators (World Bank, 2019).

component is government spending, which accounts for around 20 per cent of GDP, while private investment and net exports represent approximately 10 per cent and -5 per cent, respectively.[43]

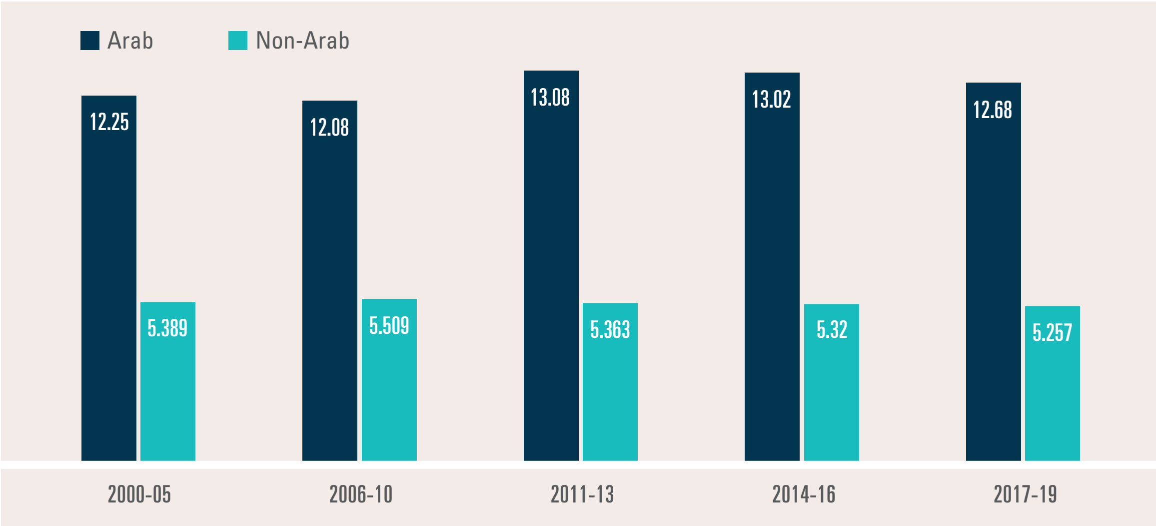
Figure 7 shows the various contributions to growth, derived from the computed contributions to the growth of each component to aggregate demand, alongside fluctuations of GDP over time from 2001 to 2017. Private consumption was the main driver of the business cycle. A substantial change in private consumption and a minor shift in government consumption typically led to economic fluctuations, both in terms of downturns and upturns. Every time there is a significant GDP growth, such as in 2005, 2007 and 2010, it is led by strong positive consumption. The same goes for downturns, which mainly occur in the years following 2010 when the drop in GDP was driven by weak consumption. This suggests that the wars and conflicts arising in the Arab region after 2010 played a major role in reducing the volume of consumption, whether private or government and thus negatively affected the rate of economic growth.

By contrast, during the past two decades, private investment, whether foreign or domestic, and external demand did not play a significant role in economic growth. Therefore, encouraging new foreign investment in Arab LDCs may be one of the necessary instruments to revive economic growth and represents a real opportunity.

F. Unemployment

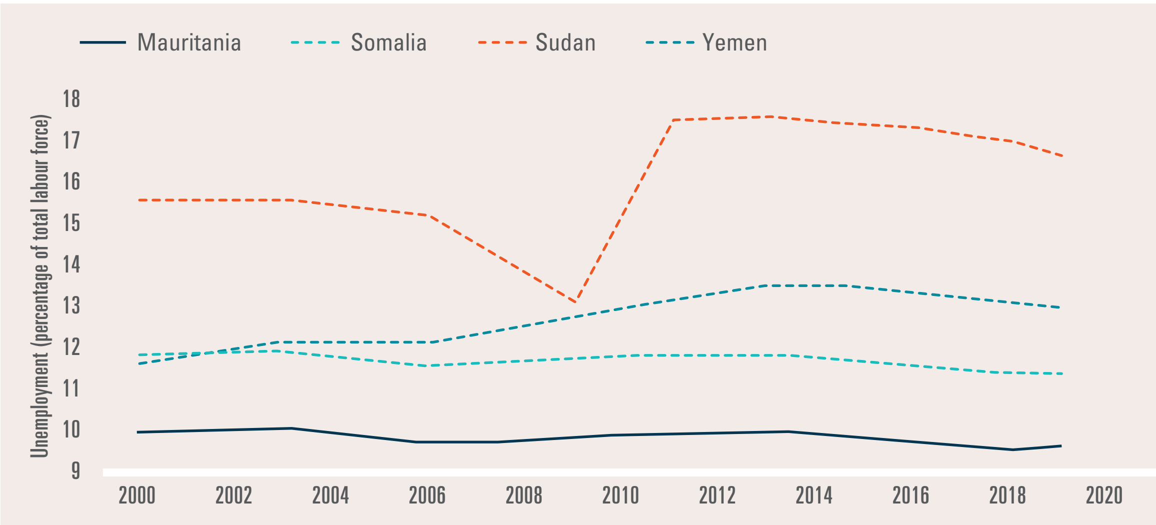
A major employment challenge within LDCs is to create productive jobs with a decent environment. Although the unemployment rates mainly remained consistent as an overall percentage, the magnitude of the problem is growing and it is becoming increasingly difficult to address the issue of agriculture being the primary source of employment for the growing LDC labour force. However, LDCs face persistent constraints on agricultural

Figure 8. Unemployment rate in Arab and non-Arab LDCs, 2000-2019



Source: ESCWA estimates based on World Development Indicators (World Bank, 2019).

Figure 9. Unemployment rate in Arab LDCs, 2000-2019



Source: ESCWA estimates based on World Development Indicators (World Bank, 2019).

growth. With rising population growth and fast urbanization, declining agricultural farm sizes and low productivity, agricultural production is becoming less viable as a livelihood for the rural poor.

Figure 8 shows that the unemployment rate in Arab LDCs is double that of non-Arab LDCs, which is a further indicator of the difficult economic and social situation. Despite variation between the Arab LDCs, they are all characterised by rates higher than 9 per cent, as in Mauritania, while it is approximately 13 per cent in both Somalia and Yemen, as seen in figure 9. The highest rate was in the Sudan, with an average of over 16 per cent. High levels of unemployment and limited productive capacity explain the country's low rate of employment creation, especially after the secession of South Sudan and recent political strikes. Overall, official unemployment figures for these countries are likely to significantly underestimate reality.

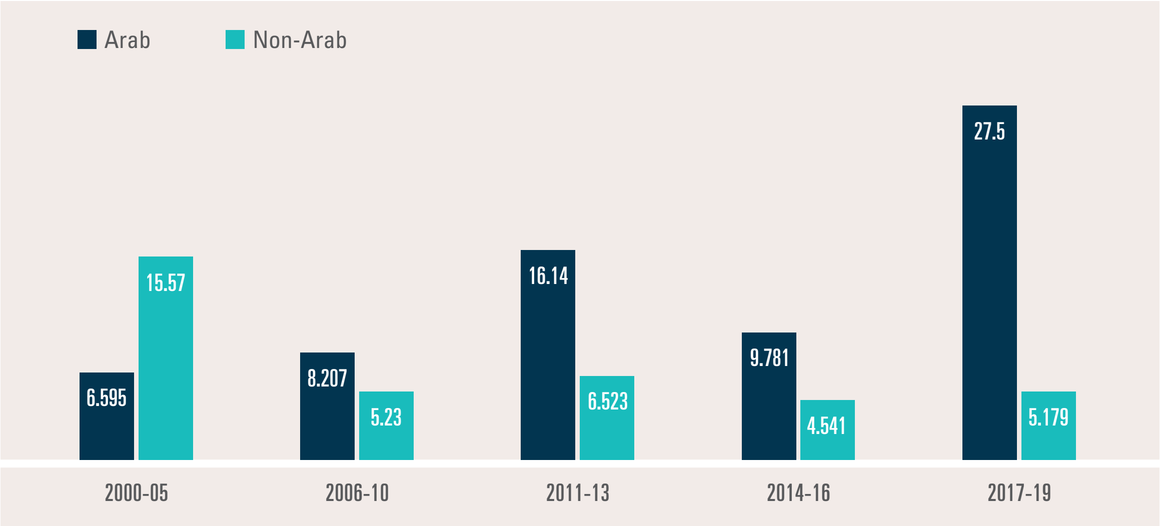
The scale of this challenge will be even greater in the coming years as Arab LDCs are facing a rapid population increase rate of 2.5 per cent per year with a population of 90 million, more than 60 per cent of whom are below 25 years of age. Moreover, The Sudan has a very high dependency ratio of roughly four persons of dependent age (under 15 and over 65 years of age) for every Sudanese person of working age (15 to 64 years of age).

G. Inflation

The inflation rates increased in Arab LDCs, especially in Yemen and the Sudan, where it rose to 40 per cent and 60 per cent, respectively, towards the end of the 2000-2020 period, as shown in figure 11.

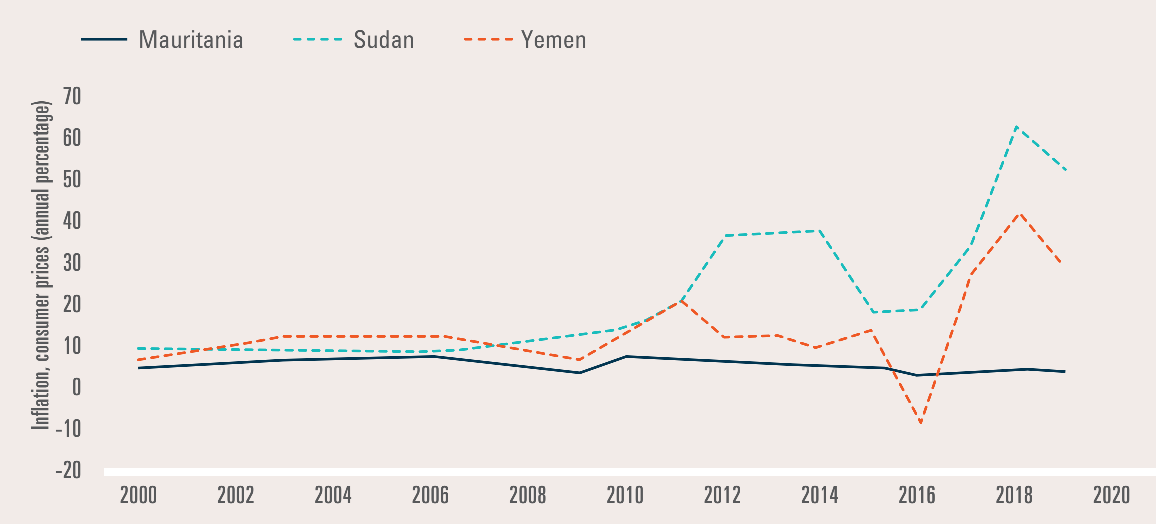
Inflation in Yemen was influenced by political conflict, persistent violence, commodity shortages, financial management issues and others, all contributing to the difficulties in designing and applying policies to reduce inflation (Abdelbary, 2020). Moreover, the division of the Central Bank of Yemen (CBY) between Sana'a and Aden has contributed to worsening the situation, only somewhat alleviated by the $2 billion provided by Saudi Arabia to the Aden CBY to guarantee letters of credit for importers of basic commodities, and $200 million provided as a grant to the Central Bank. The cumulative inflation rate between December 2014 and August 2020 was 145 per cent.[44] While in the Sudan, the key factors that contributed to inflation were the monetisation of the fiscal deficit and the successive devaluations of the domestic currency, which raised the costs of imports, including imported

Figure 10. Inflation in Arab and non-Arab LDCs, 2000-2019 (Annual percentage)



Source: ESCWA estimates based on World Development Indicators (World Bank, 2019).

Figure 11. Inflation in Arab LDCs, 2000-2019



Source: ESCWA estimates based on World Development Indicators (World Bank, 2019).

capital and intermediate inputs. Besides this, prices have soared dramatically since 2012, after South Sudan seceded, reducing the oil output of the Sudan by three quarters. Oil revenues were the Sudan's first source of foreign currency, needed to support the Sudanese pound and pay for imports (Suliman, 2012). High inflation continues to reduce households' purchasing power, and many people are unable to meet their basic needs. An average local food basket takes up at least 75 per cent of household income.

H. Weak social infrastructure

Social improvement should be at the heart of any progress towards sustainable and inclusive development. It is the primary tool to ensure that stable economic performance is combined with social cohesion. Effective development programmes should ensure that all social groups have access to basic services and provide a fair distribution of income and opportunities, as well as encourage investment in basic needs like healthcare, education and housing. The low social development of the four Arab LDCs is easiest demonstrated by their rankings and scores within the United Nations Development Programme's Human Development Index ranking and scores (table 9). Although the scores have improved thanks to social sector improvements and longer life expectancy (although the score improvement for Yemen is small), their ranks remain very low in comparison to the rest of the world.

Another set of indicators, which largely corroborates those of the Human Development Index, is the Human Assets Index used by the United Nations Capital Development Fund, which also includes health and education data to assess

Table 9. Arab LDCs rankings and scores within the Human Development Index

	2010 score (out of 1)	2010 ranking (out of 169)	2019 score (out of 1)	2019 ranking (out of 189)
Mauritania	0.433	136	0.527	161
Sudan	0.379	154	0.507	168
Somalia	..	..	..	..
Yemen	0.439	133	0.463	177

Source: United Nations Development Programme, *Human Development Report 2010, 2010;* United Nations Development Programme, *Human Development Report 2019*, 2019.
Note: Somalia was not allocated a rating.

human capital in LDCs. Arab LDCs have scored weakly in comparison to world LDCs, with their average rising from 36 to 43 between 2000 and 2018, while overall, world LDCs rose from 41 to 54. This overall assessment overlooks significant changes for some Arab LDCs, with Yemen increasing its position from 52 to 59 and Somalia from 9 to 17, while Mauritania regressed from 55 to 50 and the Sudan experienced very minor progress from 51 to 54.[45]

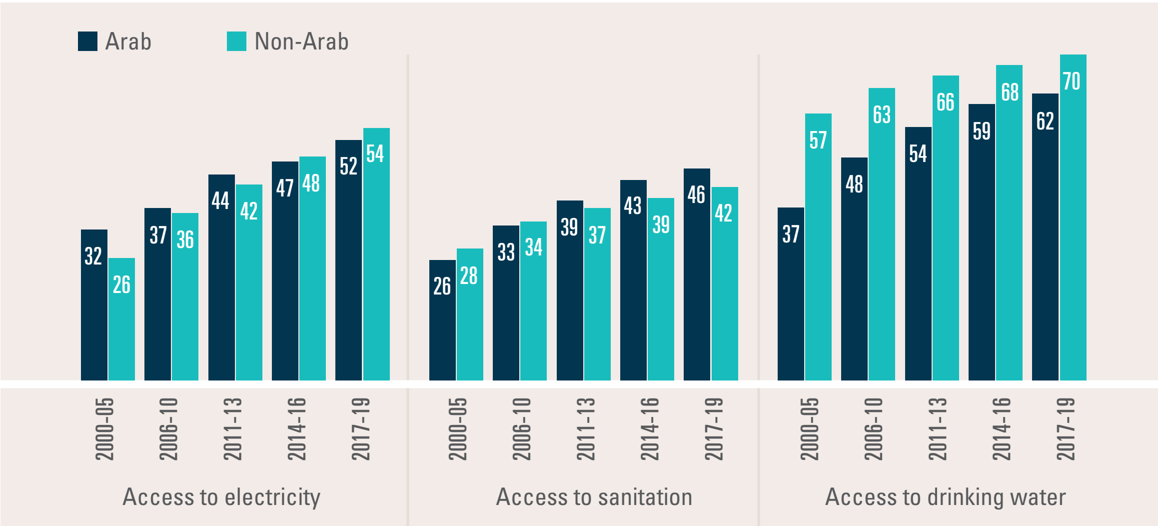
War and violent conflict have caused widespread damage to essential infrastructure in various Arab countries, leading to the breakdown of water, transport and sanitation systems, and the destruction of public health facilities. Arab LDCs seem to be particularly off track due to the political instability and escalating hostilities which have brought Yemen and the Sudan to the verge of collapse and resulted in one of the largest humanitarian crisis in the world. About half of people in these countries struggle with access to sufficient food and lack access to electricity, safe water or adequate sanitation.

I. Access to social infrastructure

The development level of a country's infrastructure has a strong impact on its economic development. For instance, access to improved water resources and sanitation affects health and thus influences the productivity of labour. According to the Stockholm International Water Institute (SIWI, 2005), the benefits of investing in water and sanitation exceed expenses, and estimates show a 3.7 per cent growth in GDP for low-income countries after improving their infrastructure facilities.

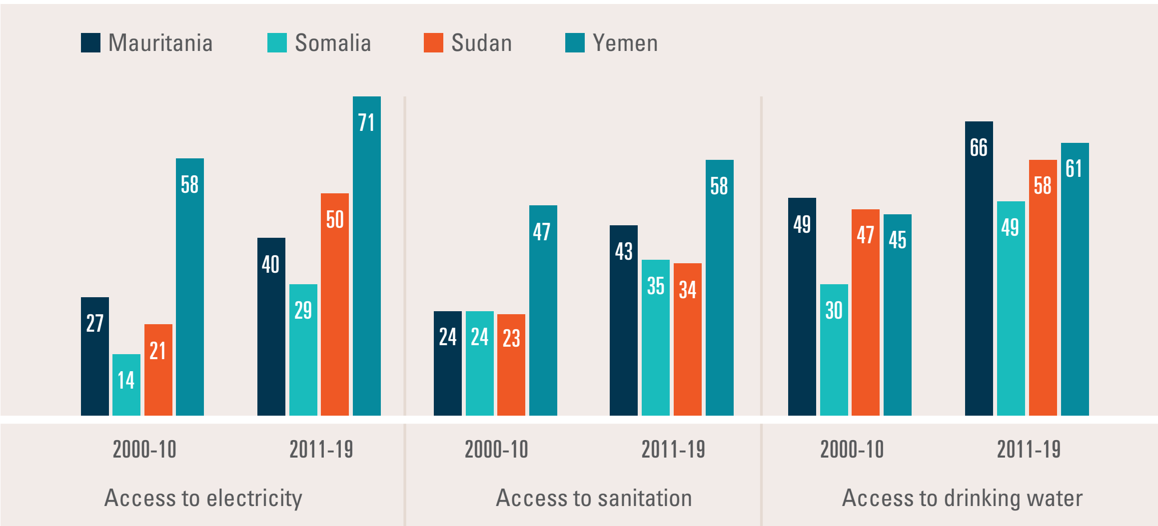
The percentage of Arab LDCs' population with access to electricity, as presented in figure 12, indicates an increase from 26 per cent (3.3 million people) in 2000 to approximately 55 per cent (11 million people) in 2019. Despite Arab LDCs' demonstrating higher access than non-Arab LDCs at the beginning of the period, non-Arab countries were able to double the percentage of the population with access to electricity over the whole period, compared to an increase of only 60 per cent for Arab LDCs. Both Somalia and the Sudan succeeded by

Figure 12. Arab and non-Arab LDCs' access to basic infrastructure facilities (Percentage of the population with access)



Source: ESCWA calculations.

Figure 13. Arab LDCs' access to basic infrastructure facilities (Percentage of the population with access)



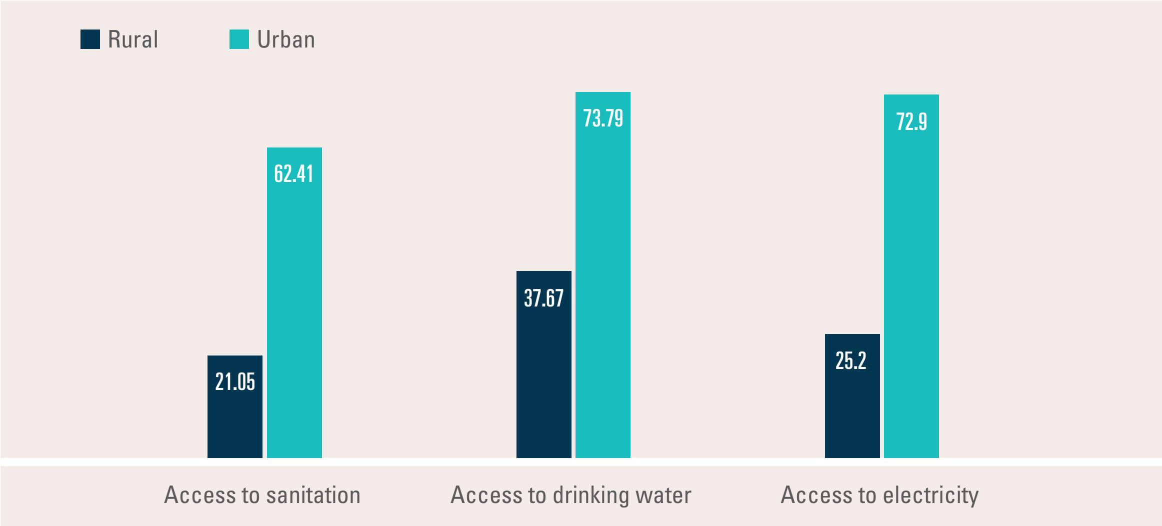
Source: ESCWA calculations.

doubling the access to electricity in the second decade compared to the first one, as seen in figure 13. Despite this, their percentages remain very modest, especially in Somalia, where only a quarter of the population has access to electricity. In contrast, more than 70 per cent of Yemenis were connected to an electricity network, outperforming the LDCs group overall, although in most cases they were not operational.

With regards to basic sanitation, although, there has been a gradual increase in access to improved sanitation over the study period, 41 per cent of the LDCs' population was without "improved" sanitation facilities in 2019, resulting in high levels of environmental contamination and exposure to the risks of infectious diseases. Arab LDCs slightly outperformed the rest of the LDCs group. Nevertheless, the improvement in all countries is minimal and two-thirds of the population of these countries continue to lack access to sanitation facilities, as shown in figure 13. The annual rate of increase needs to double in order to significantly improve conditions, and concerted efforts are also required to narrow the gap in coverage between urban and rural areas.

Finally, the percentage of non-Arab LDCs' populations with access to "improved" drinking-water access increased from 55 per cent to 70 per cent between 2000 and 2019. Although access is higher in non-Arab LDCs, the progress that occurred in the Arab countries was much greater, successfully reducing the difference from 20 percentage points in 2000 to only 8 percentage points in 2019, and almost doubling access within the last two decades. Meanwhile, non-Arab LDCs

Figure 14. Rural and urban access to basic infrastructure facilities in Arab LDCs



Source: ESCWA calculations.

Table 10. Water health and sanitation within Arab LDCs, 2018

	Access to drinking water (percentage of population)				Access to sanitation (percentage of population)				Government health expenditures (percentage of total government expenditure)	
	Overall		Rural		Overall		Rural			
	2000	2015	2000	2015	2000	2015	2000	2015	2000	2015
Mauritania	41	66	25	47	17	44	7	17	2.5	5.5
Somalia	19	49	4	26	20	36	7	18	-	-
Sudan	43	58	35	52	21	35	11	23	12.0	18.0
Yemen	38	63	26	55	42	58	26	43	7.5	2.2

Source: ESCWA calculations.

improved their percentage by roughly 20 per cent. This demonstrates remarkable improvement in all four Arab LDCs.

In 2014, 60 per cent of those without access to drinking water in the Arab region were located in low income countries (LICs) compared to 45 per cent in 1995. Similarly, more than 71 per cent (47 million) of the 69 million people without access to improved sanitation resided in the LICs (UNDP, 2016).

As is always the case, averages conceal massive inequalities not only between countries but also within the same country, especially between rural and urban areas. Figure 14 illustrates this disparity in Arab LDCs: the average percentage of people with access to improved sanitation was 62 per cent in urban areas and 20 per cent in rural areas, and the difference in access to drinking water and electricity reached about 40 percentage points and 50 percentage points, respectively. These figures indicate that extreme poverty in most Arab LDCs is located in rural areas, with poverty rates in rural settings more than double those in urban areas. Furthermore, the majority of people in poverty reside in rural areas – three quarters of the poor population in Mauritania and Yemen.

Table 10 further demonstrates the vast gap between urban and rural access to water and sanitation in each of the four Arab LDCs.

J. Rapid population growth

Another important structural element contributing to these countries' difficulties is their high population growth rates which, in the absence of significant economic growth, result at best in stagnant living standards, but most of the time in their deterioration. These rates, shown in table 11, are likely to lead to a doubling of the population in about 25-28 years and have not dropped significantly in the first two decades of the century. Rapid population growth has significant implications: for living standards to improve, overall economic growth rates must be higher than those of the population. This is rarely the case: during the last decade, GDP growth rates in Mauritania varied from zero in 2009 to 2.1 per cent in 2018, with a peak of 5 per cent in 2015. In the Sudan it was 3.2 per cent in 2009, dropping to -2 per cent in 2018, while in Yemen it dropped from 4 per cent in 2009 to less than 1 per cent in 2018 – a slight improvement on 2015 which saw a drop to -28 per cent. This is slightly misleading as, from the beginning of the war to 2019, overall GDP dropped by close to 50 per cent. No data are available for Somalia. These all clearly indicate that economic growth rates per capita are negative given that, overall, they are systematically below rapid population growth rates and thus reflect the experienced

Table 11. Population growth in Arab LDCs

	Growth rate – 2000 (percentage)	Growth rate – 2018 (percentage)	Total population – 2018 (millions)
Mauritania	2.6	2.8	4.4
Somalia	3.6	2.8	15.0
Sudan	2.4	2.4	42.0
Yemen	2.8	2.4	28.5

Source: ESCWA calculations.

and demonstrated worsening of living conditions for the population as a whole. Moreover, these figures do not take into account the worsening inequality in income distribution.

K. Health and medical services

Health is not only the absence of sicknesses but also enables people to develop to their full potential during their lifetime. Good health reduces production losses due to worker illness, increases the productivity of the workforce through better nutrition, lowers absence rates and improves learning among schoolchildren. There are many ways of assessing the status of health. Here we focus on a few which are particularly crucial and generally recognised as highly indicative. The consequences of the weak health sector in these countries are discussed in section V with respect to the situation around the COVID-19 pandemic. Arab LDCs have fewer than one nurse or midwife, physician, and hospital bed per 1,000 people and spend between 4 and 6 per cent of their public expenditures on health care (table 12).

The Nuclear Threat Initiative, the Johns Hopkins Center for Health Security and The Economist Intelligence Unit developed the Global Health Security Index, an index assessing health security and relevant capabilities. The index ranks 195 countries in terms of their capacities to deal with outbreaks. Table 13 presents the scores and rankings of Arab LDCs.

The index finds that none of the 195 countries are "fully prepared for epidemics or pandemics," with an alarmingly low international average.[46]

Table 12. Arab LDCs' healthcare figures

	(per 1,000 people)			Public expenditure on health care (percentage of GDP)
	Nurses and midwives	Physicians	Hospital beds	
Mauritania	0.925 (2018)	0.187 (2018)	0.4 (2006)	4.40 (2017)
Somalia	0.112 (2014)	0.023 (2014)	0.9 (2014)	..
Sudan	0.695 (2017)	0.262 (2017)	0.8 (2013)	6.34 (2017)
Yemen	0.785 (2018)	0.525 (2014)	0.7 (2014)	4.23 (2015)

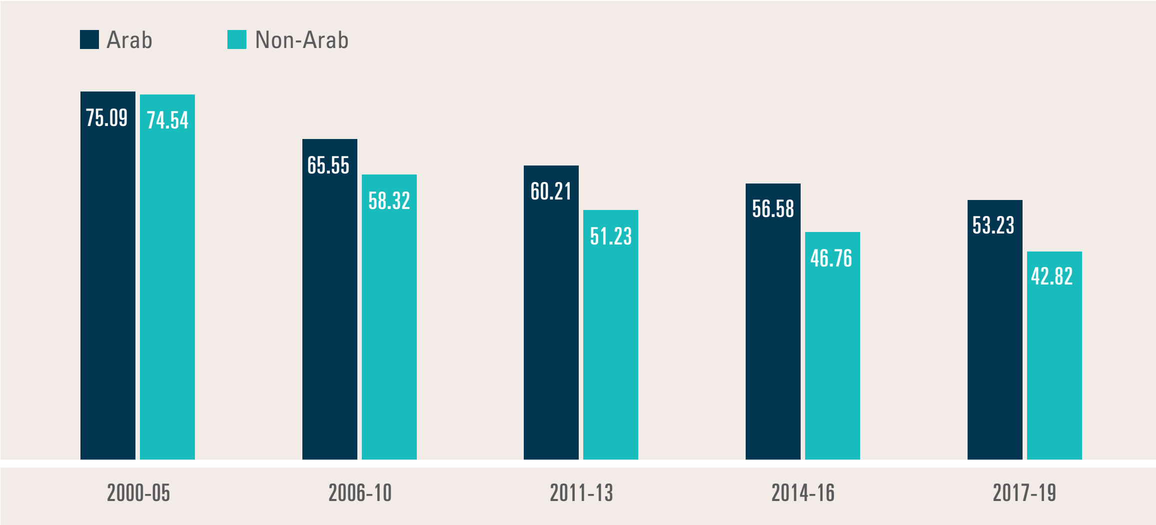
Sources: World Bank Group. NA. 'Current health expenditure (% of GDP).'; World Bank Group. NA. 'Hospital beds (per 1,000 people).'; World Bank Group. NA. 'Nurses and midwives (per 1,000 people).'; World Bank Group. NA. 'Physicians (per 1,000 people).'

Table 13. Arab LDCs rankings and scores within the Global Health Security Index

	International average	Somalia	Yemen	Sudan	Mauritania
Rank (out of 195)	-	194	190	163	157
Country Score (out of 100)	40.2	16.6	18.5	26.2	27.5
Prevention of emergence/release of pathogens	34.8	15.8	15.1	31.8	9.9
Epidemic detection and reporting	41.9	21.5	9.0	7.0	39.5
Rapid response	38.4	17.4	19.0	37.3	24.2
Health sector	26.4	0.3	7.6	14.3	17.0
Compliance with international norms	48.5	28.5	40.3	37.6	36.3
Risk environment	55.0	15.9	23.5	33.0	39.5

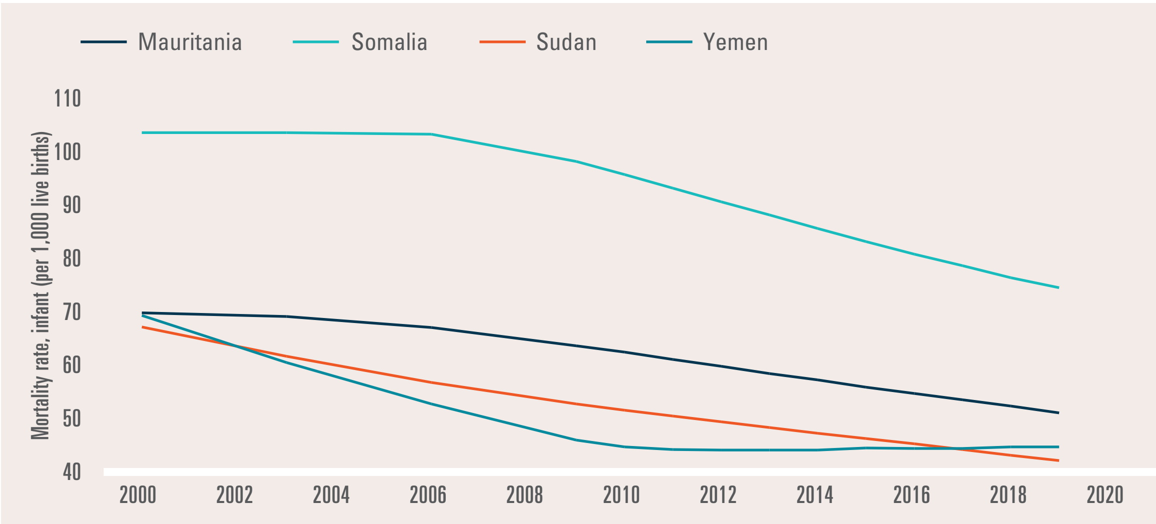
Source: Nuclear Threat Initiative, Johns Hopkins Center for Health Security and The Economist Intelligent Unit. 2019. 'Global Health Security Index.'

Figure 15. Infant mortality rate within Arab and non-Arab LDCs, 2000-2019 (deaths per 1,000 live births)



Source: ESCWA estimates based on WHO, 2019.

Figure 16. Infant mortality rate within Arab LDCs, 2000-2019 (deaths per 1,000 live births)



Source: ESCWA estimates based on WHO, 2019.

Arab LDCs score below the international average in all categories. Somalia and Yemen rank among the least secure countries when it comes to global health. Somalia's scores are farthest from the international average in terms of rapid response, the health sector (including healthcare capacity and access), compliance with international norms, and the risk environment (which includes political, security, socioeconomic, environmental, infrastructure and public health related factors). Yemen has low scores in health sector and detection and reporting, but scores highest among Arab LDCs on compliance with international standards. The Sudan's prevention and rapid response scores are the closest to the average, although it has the lowest detection and reporting score. Mauritania scores closest to the average in detection and reporting, health system and risk environment, whereas it has the lowest score on preventing the emergence or release of pathogens.[47]

Infant mortality rate is a key indicator of the overall physical health of a society. High infant mortality rates are generally connected to unmet human health needs in medical care, nutrition, education and sanitation. All LDCs have seen decreasing infant mortality rates. While the situation in Arab LDCs has improved by 30 per cent from about 75 deaths per 1,000 live births in 2000 to 53 deaths per 1,000 live births in 2019 (figure 15), non-Arab LDCs have reduced their rate by 44 per cent, and infant mortality rates remain significantly higher (around 10 percentage points) in Arab LDCs than in non-Arab LDCs. The indicator recorded broad inequalities that prevail within Arab LDCs. For instance, the average number of deaths per live 1,000 births in Somalia reached 89 during the period, while in Mauritania, it reached 59, and in Yemen and Somalia, it reached 48.

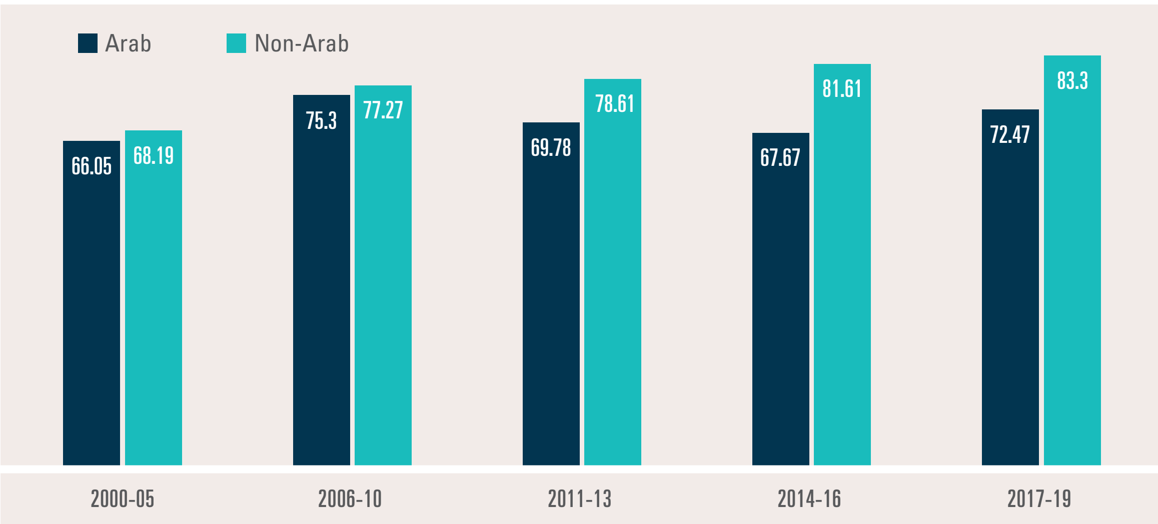
Despite the decrease in the infant mortality rate in Somalia from 104 in 2000 to 74 in 2019, it remains one of the five countries with the highest infant mortality rates in the world, which reflects the severe health situation within the country. Although Yemen has the lowest rate among Arab LDCs, political conditions and the civil war since 2015 threaten the improvements achieved in earlier years. According to the United Nations, 80 per cent of the population was living in poverty in 2020. Health problems are compounded by several factors, including the effects of low incomes, large family sizes, high unemployment rates and the irregular or non-payment of salaries of many civil servants.

It is also important to note that all four countries still have very high maternal mortality rates: in 2018, Mauritania had 50 maternal deaths per 100,000 births. In the Sudan, Somalia and Yemen, the figures were 74, 39 and 68, respectively.

L. Education and skills

Education is considered an influential tool in reducing poverty, empowering people, increasing private earnings, promoting a healthy environment and creating a

Figure 17. Net primary school enrolment rate within Arab and non-Arab LDCs (Percentage)



Source: ESCWA estimates based on UNESCO, 2019.

Table 14. Adult literacy rates within Arab LDCs (over 15 years of age)

	Overall (percentage of population)	Female (percentage of population)	Data recorded (year)
Mauritania	53	43	2017
Sudan	61	56	2018
Somalia	5	4	1972
Yemen	54	35	2004

Source: World Bank, "Literacy rate, adult total (% of people ages 15 and above)" and "Literacy rate, adult female (% of females ages 15 and above)", Data, 11 November 2020.
Note: Data shown for Somalia are from 1972 and should be considered in the context that Somali was largely an unwritten language until the 1970s.

competitive economy. It plays a crucial role in shaping how future generations learn to cope with the complexities of economic growth (Afzal et al., 2010). Early education lays the ground for the success or otherwise of future learning.

Non-Arab LDCs have made significant progress in increasing the enrolment rate in primary education with an annual increase of up to 1 per cent. In contrast, the progress made by Arab LDCs at the beginning of the millennium suffered a setback when the enrolment rate declined from 75 per cent in 2010 to 67 per cent in 2016, due to political instability and armed conflict since 2012.

All four of these countries suffer from overall low skill levels, particularly with respect to technical and vocational training (TVETs) and higher education, all of which are essential to assist the population to improve their living standards in the 'knowledge based' world economy of the twenty-first century. While between 2010 and 2018, the mean years of schooling increased from 3.8 to 4.6 in Mauritania, from 2.6 to 3.2 in Yemen and from 3.1 to 3.7 in the Sudan, these are still very low and compare unfavourably not only by world standards but also with other low-ranking States in the Human Development Index, whose average is 4.8.[48] Gross secondary school enrolment was 20 per cent in 2009 and 23 per cent in 2018 in Mauritania, 29 per cent in 2009 and 36 per cent in 2018 in the Sudan, and dropped from 44 per cent in 2009 to 43 per cent in 2018 in Yemen [ESCWA table]. These are all very low rates, particularly given that they are gross enrolment figures and not graduation figures.

Both dropouts and the low quality and standards of education also need to be factored into any attempt to analyse the international competitivity potential of their future labour force, given the importance of education and skills in developing economic activities that are able to complement low agricultural and other productivity in environments of existing high unemployment rates. Unemployment, particularly youth unemployment has been a major contributor to the crises and to low living standards; Arab LDCs have unemployment rates twice as high as those of other LDCs.

Literacy rates are among the most basic indicators of development. Adult literacy remains very low in all these countries: no contemporary data are available for Somalia but the other three countries still have relatively low literacy rates, particularly for adult women (table 14). Women's education and literacy levels are universally considered to be very important indicators of development as they affect overall living conditions, with respect to health, population growth rates and household incomes.

M. International influence on development and aid policies

While there is no doubt that LDC development has been seriously constrained by global warming in the past decade, this cannot be attributed to deliberate conscious action on the part of the Northern/Western States most responsible for the phenomenon. By contrast, the development policies implemented by these States have been directly and explicitly influenced by the 'international community' represented primarily by the main Bretton Woods international finance institutions (IFIs), the International Monetary Fund (IMF) and the World Bank group. Most bilateral funders follow the lead set by these two institutions, rather than developing and using alternative visions and strategies. As a result, development policies in the Arab LDCs as elsewhere have been dominated by the 'Washington Consensus' structural adjustment approach during the decade of the IPoA as indeed they did earlier.

The main features of these policies can be summarised as follows: balanced budgets requiring lower spending, particularly on social services, deregulation of markets through the removal of tariffs – allowing for cheap imports and preventing the protection of nascent local industries – floating exchange rates, privatization of productive entities as well as services, reduction or cancellation of subsidies and the downsizing of State entities to reduce government bureaucracy. Implementation of these measures has resulted in increased living costs for the populations as many basic services (health, education, water and energy) were privatized and became more expensive for users as they were no longer financed by taxes; reduced subsidies for basic commodities have increased their prices, while civil service job opportunities and salaries shrank, thus cutting down on employment opportunities in countries where the private sector was weak and unable to provide jobs for millions, whether well-educated or not.

The IFIs have been active in all four countries and have had considerable influence on their development strategies which have, to greater or lesser extents, followed the models they tried to impose. In the past three decades the international community, through bilateral as well as multilateral assistance, has inadvertently contributed to the weakening of State institutions, whether political or administrative. Privatisation and reduction of civil service employment have been the main tools of this strategy: in the context of basic social services, such as education and health, this has systematically weakened State capacity, sometimes through the establishment of parallel competing parastatal providers claimed to be more efficient. Details of this and the issues relating to the effectiveness of aid are discussed in the next section.

N. Aid flows compared with other inward and outward financial flows

The main incoming flows of finance are official development assistance, commonly described as aid, remittances, and foreign direct investment (FDI).

It is therefore unsurprising that the numerous resolutions of the four conferences on aid effectiveness have had little practical impact. These conferences happened across a period of 8 years (2003, 2005, 2008, 2011) mostly in the first decade of the century, and none have been held throughout the period of the IPoA, during which period significant deterioration has

Table 15. Total official development assistance disbursed to Arab LDCs (2000-2018)

	(millions of dollars)							ODA 2018 (percentage of GNI)
	2000	2011	2015	2018	Total ODA 2011-18	ODA per capita 2011	ODA per capita 2018	
Mauritania	222.8	489.7	363.6	450.4	3 530.7	10	102	6.4
Somalia	101.3	1 105.1	1 267.6	1 581.0	10 066.8	14	105	..
Sudan	320.3	1 834.4	948.8	968.2	20 100.3	20	20	4.0
Yemen	337.1	440.5	1 551.3	8 004.1	17 410.7	42	280	29.0
LDCs							53	5.1

Source: ESCWA calculations.

Table 16. Remittances sent to Arab LDCs

	(millions of dollars)				Remittances (dollar per capita 2019)	Remittances (percentage of GDP 2018)
	2011	2015	2018	2019		
Mauritania	4	-	60.392	64.458	15	1
Sudan	824.221	151.392	425.214	425.214	10	2
Yemen	3 334.200	3 333.895	3 771.000	3 770.584	132	14
Somalia	..	..	..	..	..	..

Source: ESCWA calculations.

taken place. Solutions to these issues remain essential today and their neglect for close to a decade raises questions about the international community's commitment to address the problems faced by millions in LDCs. These conferences also failed to resolve problems originating in institutional competition between funding States and organisations, let alone between international organisations with overlapping mandates, such as fragmentation, lack of coordination, multiplicity of monitoring and evaluation mechanisms, duplication, volatility and unpredictability, all having consequences for the intended beneficiaries in receiving States.

While overall disbursed official development assistance (ODA) increased during the decade (table 15), it remains low by international standards, and needs to be compared to other incoming financial flows, such as remittances (table 16) and FDI (table 17), as well as outgoing flows (table 17), capital flight and the burden of debt repayments (table 18).

A major source of incoming funds to these States is the remittances from citizens working and living in wealthier States, mostly within GCC countries.[49] One particularly important and relevant factor is that remittances reach citizens directly and are therefore used by households to satisfy their primary needs,[50] whether through immediate consumption or investment, whereas international development assistance funds generally go to the State directly or indirectly. However, as discussed above, there has been a tendency for these funds to be used for project financing rather than to support to the national budget which is under the control of State institutions. Furthermore, in the second part of the last decade, most of the funding to Yemen and Somalia has been intended for humanitarian purposes and disbursed via channels other than State institutions.[51,52]

Table 17. Foreign direct investment flows to Arab LDCs (Millions of dollars)

Year	Mauritania		Somalia	Sudan	Yemen	
	inward	outward	inward	inward	inward	Outward
2000	40.1	4.0	0.3	3.9	6.4	- 8.6
2005	812.0	2.0	24.0	16.2	- 302.0	23.6
2010	130.0	16.7	112.0	2 063.0	188.6	71.2
2011	589.0	1.5	102.0	1 731.0	-518.0	38.0
2012	1 388.0	-2.7	107.0	2 311.0	-531.0	8.5
2013	1 125.0	18.6	258.0	1 687.0	-133.0	5.4
2014	501.0	28.0	261.0	1 251.0	-233.0	11.0
2015	502.0	0.2	303.0	1 728.0	-15.0	4.4
2016	271.0	1.0	330.0	1 064.0	-561.0	0.8
2017	587.0	9.6	369.0	1 065.0	-270.0	5.6
2018	773.0	3.6	408.0	1 136.0	-282.0	3.6
2019	885.0	4.8	447.0	825.0	-371.0	3.3

Source: UNCTAD database.
Note: At the time of writing, there were no data for outward FDI flows for Somalia and the Sudan, hence the columns have not been included.

FDI is claimed to be a crucial element in promoting development and improving living standards. However, particularly in these States, most of it is directed at investment in export-oriented extractive sectors, particularly oil and minerals, which provide little employment and thus limit direct benefit to the population. Table 17 provides some basic information on FDI flows, showing the wide range and annual fluctuation. Of particular note are the largely negative flows with respect to Yemen.

Inward financial flows reach different sectors of society and the economy. For example, remittances reach the population directly whereas ODA tends to go to State institutions. By contrast outward flows, which include much capital flight, largely do not come directly from the majority of the population, but affects everyone, as it impacts the national budgets and the ability of the State to provide the services citizens are entitled to expect.

Moreover, these States suffer additionally from a serious international debt burden, which eats into their limited receipts from international aid. Mauritania, Somalia and the Sudan are also heavily indebted poor countries. Debt is a crucial concern among LDCs who have low domestic revenues, high poverty rates and weak tax collection. One positive element needs to be recorded, namely that by the end of the last decade, the majority of funding issued to the four Arab LDCs was in the form of grants, and no longer loans, thus preventing a worsening of the debt situation in the medium- to long-term. Arab LDCs' main outward flows are debt repayments and capital flight. The overall debt burden remains high, despite some debt cancellation by Saudi Arabia which waived $6 billion from all LDCs in 2018. The December 2020 G20 summit also

Table 18. Arab LDCs' debt burden

	Debt burden (millions of dollars)				Debt burden (percentage of GNI)			
	2011	2015	2018	2019	2011	2015	2018	2019
Mauritania	3.743	4.993	5.225	5.370	57	83	74	72
Somalia	2.932	2.762	5.563	5.616	..	..	..	..
Sudan	21.180	21.401	21.529	22.264	39	29	89	121
Yemen	6.429	7.299	7.036	7.055	21	20	25	-

Source: World Bank debt tables.

Table 19. Relative importance of incoming and outgoing financial flows for Arab LDCs, 2018

	ODA (percentage of GNI)	Remittances (percentage of GDP)	FDI (percentage of GDP)	Debt (percentage of GNI)
Mauritania	6.4	1.0	10.0	74.0
Somalia	-	-	27.0	-
Sudan	4.0	2.0	2.2	89.0
Yemen	29.0	14.0	-1.0	25.0

Source: ESCWA calculations.

made a general proposal to its members to waive and ease debt. Results remain to be seen. The situation as it was end 2019 is presented in table 18.

Capital flight has been a major problem in these countries for decades. Its importance must not be underestimated, as it affects the availability of funds for both investment and operating expenses. Most significantly, much of the funds which 'disappear' in this way were originally intended to finance development activities and projects, thus doubling the negative impact on local economies and living standards. Between 1990 and 2008, $2.70 left Yemen illicitly for every $1 received in aid,[53] adding up to a record total of $12 billion, though figures for the Sudan were also high, at $6.7 billion. Consequently, both Yemen and the Sudan are among the 10 countries with the worst record for capital flight. Mauritania's capital flight was comparatively much lower, but still significant, at $428 million, and no figures are available for Somalia.

According to Leonce Ndikumana,[54] between 1970 and 2010 Mauritania lost $3.1 billion in capital flight, representing 86 per cent of its 2010 GDP, while during the same period, the Sudan lost $38.4 billion, representing 57 per cent of its 2010 GDP. These data are from a report prepared for the United Nation IV conference on the Least Developed Countries (LDCs), Istanbul, Turkey in May 2011.[55]

To conclude, table 19 gives a rough indication of the overall combined impact of these factors on the national economy in 2018. In the absence of strictly comparable data, with significant variations over the years in each country, it merely illustrates the situation for one year. In the absence of more recent data, capital flight issues are not included, though they would be essential – as well as longer time series – to make a more meaningful assessment.

O. Poverty and inequality

Worsening poverty due to the many factors discussed in this report is an ongoing crisis and will remain important in the coming decade given the lack of prospects for its reduction. All the economic policy and social development factors presented above explain the worsening levels of poverty found in the four Arab LDCs. Economic, political and humanitarian crises have worsened the situation significantly in the past decade, with poverty levels reaching 75 per cent in Yemen in 2019.[56] Mauritania is the only Arab LDC without significant numbers of displaced persons, but it still has a high poverty level. It must be noted that there is little recent poverty data from the World Bank or the United Nations after 2014, hence the table below is likely to underestimate the current situation. Not only is poverty extremely widespread, but it is combined with high levels of inequality, meaning that poverty is likely to be more extreme than the data suggest.

Although poverty data are limited across the four countries, data on the poverty rates within Somalia are particularly lacking with only the percentage of the population living in slums in 2014 available – 74 per cent in 2014, while a large percentage of the populations in the Sudan (92 per cent), Mauritania (80 per cent) and Yemen (61 per cent) also lived in

Table 20. Arab LDCs' poverty indicators, 2014

Indicator	Yemen	Mauritania	Sudan	Somalia
Poverty gap at $5.50 a day (2011 PPP) (percentage)	39.3	21.6	34.9	..
Poverty headcount ratio at $5.50 a day (2011 PPP) (percentage of population)	81.6	58.8	79.9	..
Poverty headcount ratio at national poverty lines (percentage of population)	48.6	31.0	..	..
Poverty gap at $3.20 a day (2011 PPP) (percentage)	17.3	6.6	13.4	..
Poverty headcount ratio at $3.20 a day (2011 PPP) (percentage of population) (poverty)	52.2	24.1	45.0	..
Gini index (World Bank estimate)	36.7	32.6	34.2	..
Poverty gap at $1.90 a day (2011 PPP) (percentage)	4.5	1.4	2.9	..
Poverty headcount ratio at $1.90 a day (2011 PPP) (percentage of population) (extreme poverty)	18.8	6.0	12.7	..
Income share held by lowest 20%	7.3	7.5	7.8	..
Income share held by lowest 10%	3.0	3.0	3.2	..
Proportion of people living below 50% of median income (percentage)	10.6	12.1	9.7	..
Income share held by highest 10%	29.4	24.9	27.8	..
Income share held by highest 20%	44.7	40.2	42.4	..
Income share held by fourth 20%	21.2	23.0	21.6	..
Income share held by third 20%	15.3	16.9	16.1	..
Income share held by second 20%	11.5	12.4	12.1	..
Population living in slums (percentage of urban population)	60.8	79.9	91.6	73.6

Source: The World Bank, "Poverty", Data.

slums in 2014.[57] Table 20 presents some of the available data on poverty indicators within Arab LDCs.

Poverty rate projections indicate severe worsening in Yemen if the conflict persists, estimating an increase in poverty rates to 75 per cent by the end of 2019 and 88 per cent by 2030, which would lead Yemen to be the poorest country in the world. In a no conflict scenario, it is estimated that poverty rates would have decreased to 24 per cent, while extreme poverty would have decreased to 7 per cent.[58] Based on the Second Somali High Frequency Survey, Somalia's poverty rate was 69 per cent in 2019. Poverty in Somalia is high and deep in rural areas and IDP settlements, and extends beyond monetary deprivation to include non-monetary deprivation in multiple areas such as access to health care, electricity, education, or water and sanitation.[59] In the Sudan, the population below the poverty line was 36.1 per cent in 2015, and the population below the extreme poverty line was 25 per cent, based on a National Baseline Household Budget Survey.[60] According to the government of Mauritania, the country's poverty rate gradually decreased: from 51 per cent in 2001, to 44.7 per cent in 2004, followed by 42 per cent in 2008 and 31 per cent in 2014, reducing the number of people living in poverty from 1.4 million in 2008 to 1.1 million in 2014.[61] In addition to the aforementioned poverty indicators, income inequality is evident among Arab LDCs: the World Bank's estimate of the Gini Index, a measure of income distribution across populations, in 2014 was 36.7 for Yemen, 34.2 for the Sudan, and 32.6 for Mauritania in 2014, on a scale where 0 implies perfect equality, and 100 implies perfect inequality.[62]