

Human Development and Poverty in the Arab States

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Human Development and Poverty in the Arab States

From the Atlantic to the Gulf, people - women, men and children - are the real wealth of the Arab countries. And the purpose of development and growth in the Arab region should be to free people from deprivation and to expand their choices. Over the last four decades, remarkable progress has been achieved in reducing poverty and in advancing human development. But much still needs to be done to address the backlog of deprivation and imbalance. The Arab region has the resources to eradicate poverty in less than a generation. Political commitment, not resources, is the binding constraint.

A strong unequivocal commitment to clear human development and poverty reduction objectives is critical. The political commitment should emanate from ethical, social, political and moral imperatives as well as the region's religious and cultural traditions (box 1).

As we begin the new millenium, three critical lags persist, and in some cases widen, in the Arab region. First, there is the lag between the Arab region and other regions in terms of participatory governance. The wave of democracy that has changed the mode of governance in most of Latin America and East Asia in the 1980s and Eastern Europe and Central Asia in the late 1980s and early 1990s has not yet reached the Arab States.¹ Second there is the lag between political reform and economic reform. In many Arab countries political reform has not caught up with economic reform. Third, there is a lag between economic development and reform on one hand and social development on the other. This third lag is this paper's main concerns.

I. Human achievements in the Arab Region

Over the past forty years, Arab countries have experienced unprecedented human development and poverty reduction.² Economic gains and purposeful action in the social sectors have contributed to substantial progress in health, education, nutrition, living standards and other aspects of human development. Between 1970 and 1997:³

- Life expectancy increased by about 14 years from 51 to 65.
- Infant mortality rates were more than halved.
- The mortality rates for children under five were reduced by nearly two-thirds. The Arab region was the first region in the developing world where most countries reduced mortality rates of under-five children to the target of 70 per thousand by 1990, well ahead of the global goal.
- Adult literacy rates rose from 31% to 58.6 %. Combined school gross enrollments rose from 47% in 1980 to 58% in 1995.
- Daily caloric intake and access to safe water and sanitation are higher than in any other developing region.⁴
- Compared to other regions, the Arab States made the fastest progress in women's education by raising threefold women's literacy rates since 1970 and by more than doubling female primary and secondary enrolment rates from 32% in 1970 to 74% in 1997.

Of course the above regional averages hide wide variations and uneven progress among, and

within, Arab countries. In general, oil rich countries made rapid progress. Several countries from this group set world records in improving some social indicators (tables 1 and 2). However, rapid progress was not limited to the oil rich. Yemen and Tunisia were among the ten countries that experienced the fastest improvements in the world in, respectively, raising life expectancy and reducing under-five mortality.

The multi-faceted nature of human progress in the Arab region and its rapid pace are captured by the improvement of the Human Development Index (HDI) which measures progress in terms of life expectancy, educational attainment and income. Between 1960 and 1992 the Middle East and North Africa (MENA), compared to other regions, experienced the second largest absolute increase in their regional HDI value after East Asia. During the same period, Tunisia and Syria were among the top ten performers in terms of the absolute increase in HDI value (table 3). Egypt, Jordan and Morocco more than doubled their HDI values and Yemen more than tripled it.⁵

In assessing the human development improvements in the Arab region, it is essential to remember that Arab countries started their progress from a very low base. This helps better understand the considerable extent of their achievement. Oman, for example, made very rapid advancements in order to catch-up with the developing world human development averages (box 2).

Arab countries overcame severe difficulties in expanding their social services following independence. For example, a glance at literacy rates for 1960 shows how far many countries have come since colonial days, when two-thirds to three-quarters of the people of the region were illiterate. By way of comparison, when South Korea shifted its development strategy to export-led growth in the early 1960s, over 70% of the population could already read and write.

Box 1

Religion and culture against poverty

The Islamic tradition has a long history of recognizing poverty and fighting it. In the Koran, a number of verses emphasize the virtue of *infaq*, the voluntary spending for the welfare of the poor. It is proclaimed that no man will attain piety nor enjoy heaven unless he spends freely from his wealth on the poor. The Koran specifically mentions the need to help the poor as a way of cementing social cohesion. A recurrent premise is that societies will disintegrate unless the poor are taken care of.

In Islamic society, there are numerous institutional devices for implementing *infaq*. One is the *waqf*. This implies setting aside certain assets, like land and buildings, for exclusive use for specific purposes under a legal deed. Another institutional device is the *manihab*. This involves granting of a productive asset to a needy person free of charge for a specific period. Also, the Koran emphasizes the importance of establishing a social security system for the poor. It accomplishes this feat through the use of *zakat*. This is a tax on the wealthy of a community, whose proceeds are used to help the poor attain their basic needs.

Social solidarity and compassion were an integral part of the message of Prophet Mohammed who reflected it in his saying: *I disavow any community in which a person becomes hungry*. Several Caliphs built on the tradition. Ali Ibn Abi Taleb, the Fourth Caliph described poverty as "the greater death."

An Arab definition of poverty, written around the 14th century by Ibn-Mandhur in *Lisan al-Arab*, defines poverty as the inability of the individual to satisfy his own basic needs and the needs of his dependents. Another source, *Fiqh al-Lugha*, written by Tha'alibi in the 11th century, identifies eight different levels of poverty: loss of savings; loss of assets or property due to drought or natural disaster, when an individual is forced to sell the decoration items on his sword, when the individual/household can only afford to eat bread of millet, which is cheaper than the usual wheat flour bread, when the individual/household has no food available, when the individual/household has no belongings left which he/it can sell to purchase food, when the individual/household has become humiliated or degraded due to poverty and finally when the individual/household is reduced to ultimate poverty.

Maimonides, the Egyptian philosopher of the 12th and 13th codified the importance of charity and giving to the poor. Specifically, he mentioned the need to leave part of an orchard or a field un-harvested so the poor can help themselves. He also emphasized the need to collect charity funds and run food pantries in each local community. The most frequently quoted part of his writings involves the eightfold ranking of charity, from least to the most meritorious.

- giving grudgingly
- giving cheerfully, but less than you should
- giving after being solicited
- giving without being solicited
- giving to a recipient unknown to you who knows you
- giving to a recipient you know who does not know you
- giving to an unknown recipient who does not know your identity; and most interestingly
- helping a needy person become self-supporting by a gift, loan, or entering into partnership with or providing work for him or her.**

Sources: Gordon, 1996; Bremner, 1994; Ahmad 1991

Box 2

Oman - an impressive record of accelerated human progress

Beginning in 1970, Oman undertook a comprehensive programme of human development, achieving some of the most rapid advances ever recorded. Life expectancy has increased by 24 years, from 47 years in 1970 to 71 years in 1997. Infant mortality was reduced nearly tenfold from more than 215 per 1,000 live births in 1970 to less than 18 in 1997.

Improvements in education have been even more impressive. In 1970 there was no education system and only three schools all primary providing an education for 900 pupils all boys. By 1994 there were 454,000 students in 920 schools, and 49% were girls. Today 70% of primary school age children are in school.

Most health problems associated with poverty and lack of schooling have been controlled or eradicated. Trachoma leading to blindness, once affecting more than half of schoolchildren, has virtually disappeared.

Rapid advances in other areas of human development have accompanied advances in health and education. Nearly three-quarters of houses now have running water and flushing toilets, and 9 of 10 have electric light and electricity or gas to cook with. Pensions are provided for the disabled, the elderly, widowed or divorced women and orphans. Oil revenues, of course, made possible such rapid progress and such a high standard of living. But without the commitment to human development, Oman might have been wealthy but unhealthy.

Oman has been a global pacesetter in human development. But there is still scope to enhance human development by translating income growth into the lives of the people. The female literacy rate is two-thirds the male rate, and the fertility rate, at 6.9, is one of the highest in the world. Oman has established an ambitious strategy to take its people to the year 2020 and ensure a better quality of life for all of them.

Source: Updated from HDR 1997

Table 1
Fastest Progress in Raising Life Expectancy in Developing Countries
1970-1995 (years)

Country	Life Expectancy at Birth		Percentage Change 1970 - 95
	1970	1995	
Oman	47	70	50
Yemen	41	57	39
Saudi Arabia	52	71	36
Viet Nam	49	66	35
Indonesia	48	64	34
Nepal	42	56	33
Bolivia	46	61	32
Honduras	53	69	31
Bhutan	40	52	30
Lao People's Dem. Rep.	40	52	29

Source: UNDP Human Development Report Office

Table 2
Fastest Progress in Reducing Under-five Mortality Rate in Developing Countries
1970 - 1995 (per 1,000 live births)

Country	Under-Five Mortality Rate		Percentage Change 1970 - 95
	1970	1995	
Oman	200	18	-91
United Arab Emirates	150	19	-87
Korea, Rep. Of	55	7	-87
Brunei Darussalam	78	11	-86
Chile	96	14	-85
Saudi Arabia	185	32	-83
Tunisia	201	37	-82
Singapore	27	5	-82
Iran, Islamic Rep. Of	208	40	-81
Malaysia	63	13	-79

Table 3
Top Performers in Human Development (1960-92)

Top Ten Performers (1960-92)	Absolute Increase in HDI Value
Malaysia	0.463
Botswana	0.463
Korea, Rep. Of	0.462
Tunisia	0.432
Thailand	0.424
Syrian Arab Republic	0.408
Turkey	0.406
China	0.396
Portugal	0.378
Iran, Islamic Rep. Of	0.366

Source: UNDP, Human Development Report Office

II. Backlog of deprivation

Despite impressive progress and the great wealth of many parts of the region, a considerable backlog of human deprivation and poverty persists. In 1997:

- About 13% of the population were not expected to survive to age 40.
- 65 million adults were illiterate.
- A 40% increase is expected in the number of children out of school.
- 54 million lacked access to safe water.
- 29 million lacked access to health services.
- The unemployment rate was about 15%.
- Lack of access to safe water and safe sanitation translated into about 10 million lost years of productive life each year.
- More than 50 million people breathe dangerously polluted air.

Between 1980 and 1995, the Arab States experienced economic decline with GNP per capita decreasing by -1.2% per annum. The fall in oil prices and the Gulf wars contributed considerably to this stagnation. Only two Arab countries: Oman and Tunisia had per capita incomes in the 1990s higher than ever before. By contrast, eight Arab countries had real per capita incomes in 1993 equal to what they had in the 1970s or before. In the 1990s, per capita income nose-dived falling by staggering -4.5% per year between 1990 and 1994.

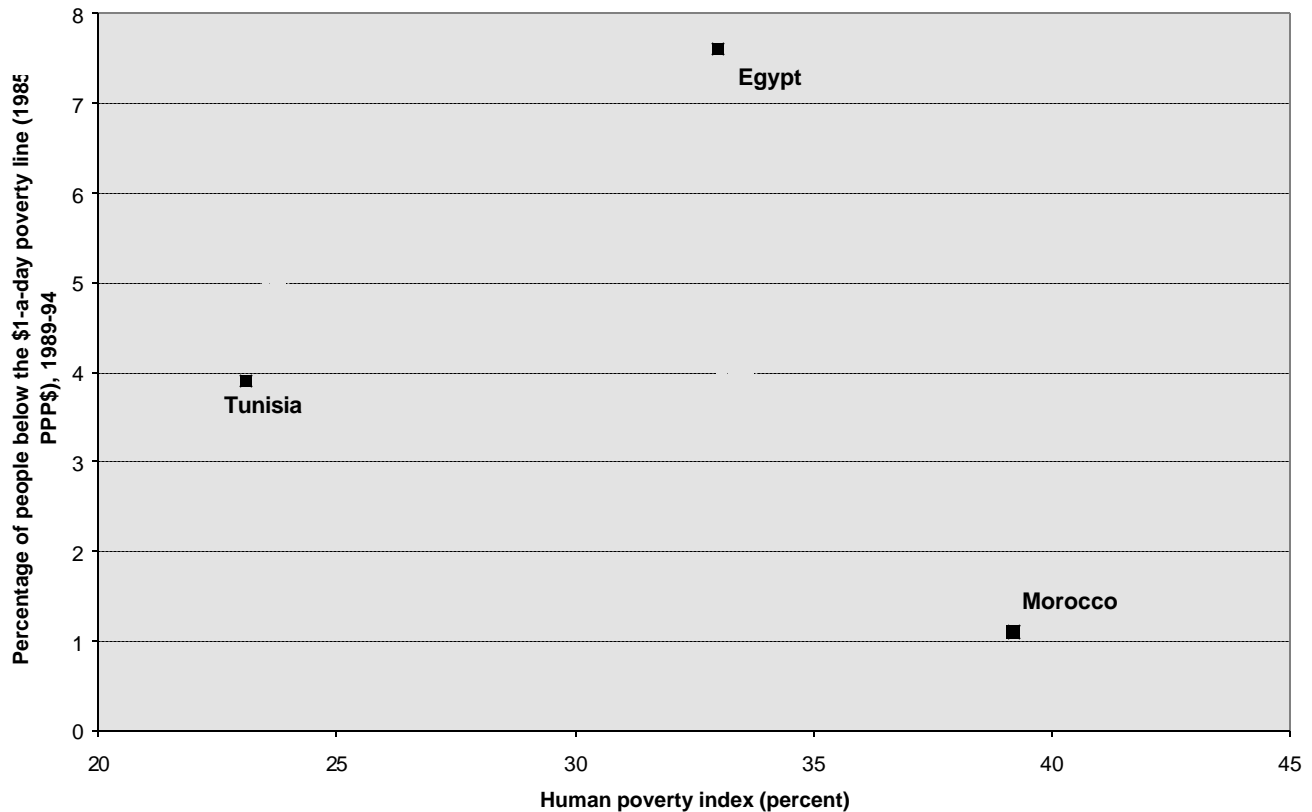
Regional estimates of the incidence of income poverty vary considerably. According to the World Bank, in 1994, 4% of the population of the MENA region or about 11 million people lived in poverty on less than \$1 a day. Forty million people lived on less than less than US \$ 1.67 per day (1985 constant dollars adjusted for purchasing power parity).⁶ Most sources agree that the number and proportion of poor people has increased in the second half of the 1980s.⁷

Income poverty is much less pervasive than human poverty - or deprivation in basic human development. Human poverty is about 32.4%, as per the Human Poverty Index (HPI) which measures deprivation in terms of short lives, illiteracy and lack of basic services.⁸ The same applies for individual countries as evident in figure 1 that shows that income poverty and human poverty do not coincide.

Several countries have national income poverty estimates (annex table 2). For the second half of the 1990s, national estimates of overall poverty ranged between 45% for Djibouti to 23% for Egypt. At 6%, Tunisia had the lowest incidence of extreme poverty among the Arab countries for which data is available.

Women and children suffer the most. The maternal mortality rate is 396 per 100,000 live births double the rate in Latin America and the Caribbean and four times the rate in East Asia. The tragic toll of female genital mutilation is a disgraceful indictment in many Arab countries. More than half of adult women are illiterate with women's literacy only two thirds of men's - significantly lower than the average of 79% for all developing countries. In Egypt female literacy is lower than in Malawi and Uganda despite considerably higher per capita incomes. In 1997, the majority of women were illiterate in six of the fifteen Arab countries for which data⁹ on female literacy was available. By contrast in

Human poverty and income poverty do not always move together



Latin America, only in Haiti and Guatemala are most women illiterate.

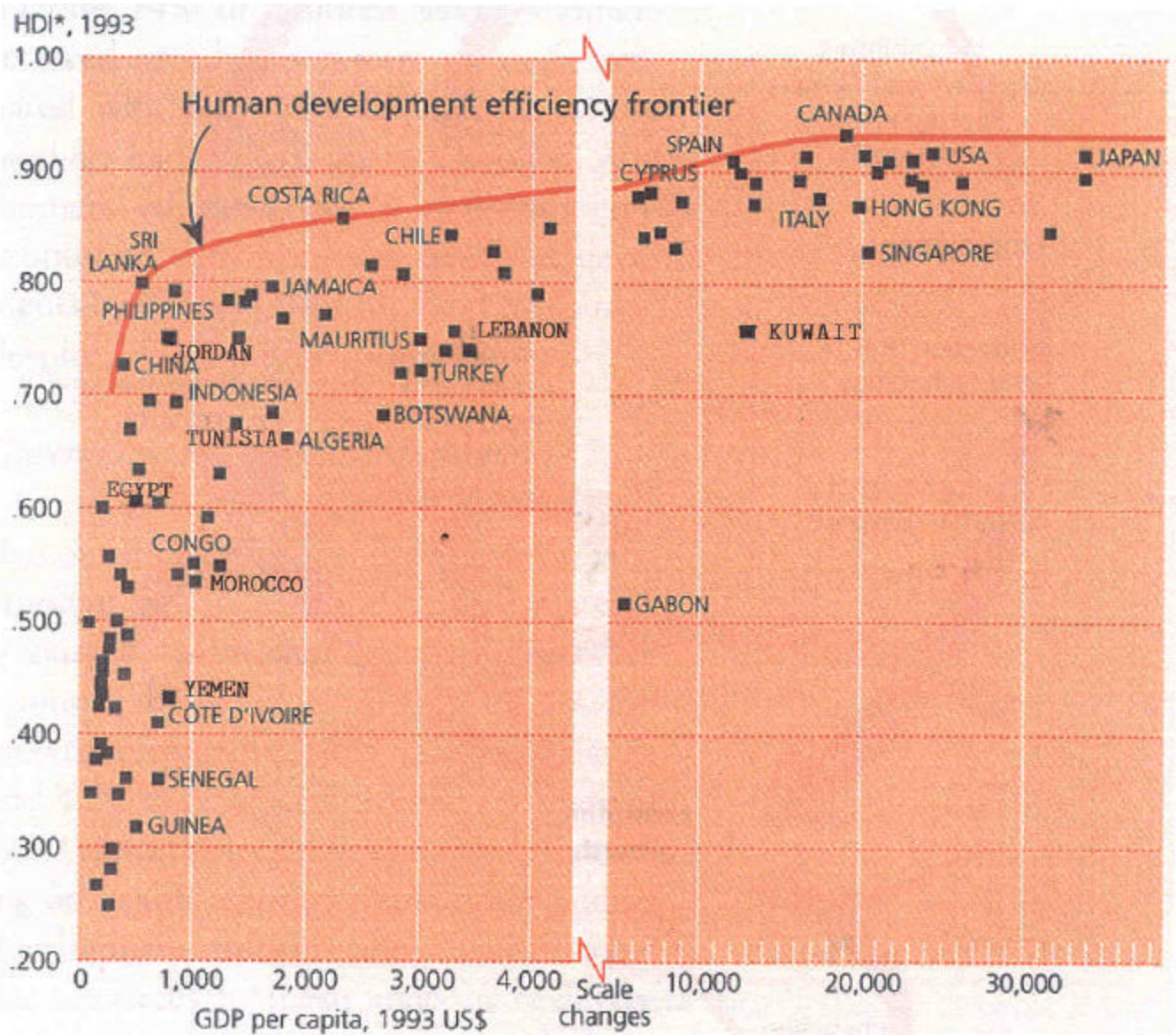
About 15% of children from the relevant age group are out of primary school (68% in Djibouti, 38-39% in Kuwait and Saudi Arabia, 28-29% in Oman and 20% in Qatar), and nearly 30% are out of secondary school.

Uneven progress has widened disparities within countries and between countries. Widening gaps between countries are evident when comparing the oil rich to the poorer countries that do not have the oil income and that have significantly larger populations. While the difference in GNP per capita was 2:1 in favor of the oil producers in 1960, it reached 9:1 in 1994. GNP per capita varied from US \$260 in Yemen to more than \$17,350 in the United Arab Emirates and Kuwait in 1995. The substantial contrasts in income levels in the region are matched by contrasts in human development. For example, life expectancy ranges from 50 years in Djibouti, to 76 years in Kuwait and adult literacy rates from 43% in Yemen to 87% in Jordan.

Pervasive imbalances contribute to the backlog of human deprivation in the Arab countries. The following is a discussion focussing only on imbalances related to the link between income growth and human development, public spending and gender .

III. Imbalances

Development



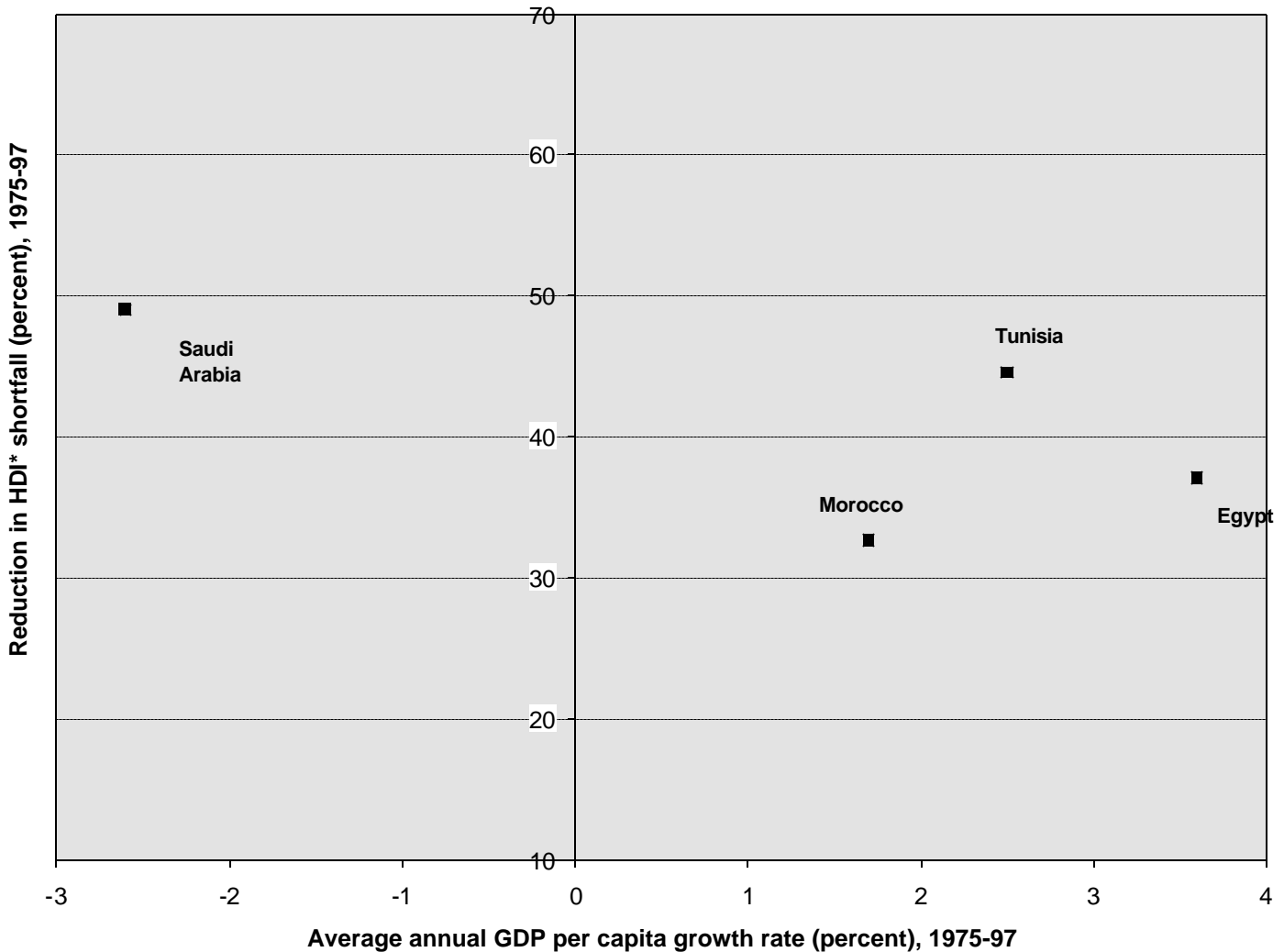
Source: Human Development Report Office and World Bank 1994a.

Countries differ in how well they translate income into human development—their “human development efficiency.” At each general level of income are countries that are on or close to the “human development efficiency frontier.” They convert income into capabilities more effectively than others do. Countries that constitute the “human development frontier” of efficiency, include Canada, China, Costa Rica and Sri Lanka. These countries, together with others that lie very close to the frontier, such as Chile and Jamaica, have the highest efficiency (figure 2). By comparison, Arab countries lie significantly below this frontier. They have not effectively translated wealth and income growth into human development.

The link between economic growth and human development has not been automatic in the region. Trends of economic growth and of human development progress have not been correlated and have varied from one Arab country to another. Figure 3 shows that while among the four Arab countries for which data is available, Egypt had the highest rate of annual GDP per capita growth between 1975-97, it had the second lowest rate¹ of human development progress. The latter is

measured by the reduction in the shortfall between levels of the HDI* (i.e.HDI without the income component) at the beginning of the period and their levels at the end of the period.

Long-term pattern of economic growth and human development progress



Levels of human development of Arab countries are typically lower than what we would expect given their per capita incomes. The imbalance is reflected in ranks according to HDI that are much lower than ranks according to per capita income (annex table I). Among the Arab States, only two Arab countries have HDI ranks better than their per capita income ranks – an indication that their human development levels are commensurate with their income levels.⁹

The average per capita income for the region is significantly higher than the developing world's average while the average HDI value is lower.¹² This shows that Arab States lag beyond

countries with comparable per capita income levels. It also highlights the potential for using available income to enhance human development.

The potential is particularly evident in the oil rich Arab countries. For these countries the negative difference between both the HDI and per capita income ranks remains among the greatest in the world, ranging from -6 for Libya to -47 in the case of Oman.

The lag between income levels and human development levels and the potential for using available income to raise human development is also evident in poorer Arab countries. The HDI ranks of Djibouti and Sudan, are lower than their rankings according to per capita income. This also shows that the state of human development in these countries is still incongruous with their per capita income levels despite the low levels of the latter. Despite their scarce resources, these countries have the potential to improve their human development, even within existing constraints.

Middle income Arab countries could have also translated growth to human development more effectively. In Egypt, for example, per capita GDP grew at 3.3% per year between 1960 and 1994 - well above the world's average. Yet improvements in health and education¹⁰ were significantly below the world's average. Thus Egypt was unable to fully translate its growth into broad-based education and health. Today nearly half of the adult population (47.3%) are illiterate. Illiteracy rates are higher than in Tanzania, Togo and Zambia, though these countries have per capita income less than one-third Egypt's. By the 1980s, the lack of broad-based human capital acted as an important brake on Egypt's growth. Economic reforms accelerated growth rates in the 1990s. Experience shows that operationalizing the Egyptian Government's commitment to social development is needed to sustain growth.

Inefficiency in converting income to human development has been attributed to the mal-distribution of either private or public resources or the mal-distribution of both. In Latin American countries such as Brazil, mal-distribution of private resources is largely blamed for human development levels that are incommensurate with per capita income levels. By contrast, mal-distribution of private resources (both wealth and income) does not seem to be the prime suspect in Arab States. Distribution of private resources in the Arab region is more egalitarian than in most other regions of the developing world. The Gini coefficients (a measure of equality with one denoting perfect inequality and zero denoting perfect equality) of several Arab States are among the best in the developing world. Thus, inefficiency in converting income to human development seems to be more attributable to the mal-distribution of public resources rather than private resources. The next section sheds more light on this.

Public spending

Shares of national budgets allocated to human development concerns varied considerably among countries and across time. On the positive side, Algeria was devoting by the mid-1970s close to 30% of its national budget to education. Political commitment by governments has often led to dramatic improvements in human development (box 3).

However, misallocation and mal-distribution of public resources is to blame for much of the backlog of deprivation and lag of social₁³ development beyond income growth.

Education and health: Governments have made considerable efforts to improve health and education. In 1996, 5.2% of GNP were spent on education in the MENA region more than any other region in the developing world with the exception of Eastern Europe and Central Asia.¹¹ Countries undergoing structural adjustment programmes and reducing public spending such as Egypt and Tunisia, have increased expenditure on education (in Egypt by nearly three-quarters in real terms in the 1990s). At 2.3% of GDP public spending on health was significant though slightly lower than the world average.

Misallocation and mal-distribution plague the education and health sectors. Public spending on education, for example, is over-concentrated on university education. Around a third of public spending on education goes to the tertiary level in Egypt, Jordan, Kuwait and Turkey. Among developing countries only Venezuela allocates a higher shares of its education spending to the tertiary level. Per pupil costs remain high. At US \$ 1,588 per student spending on tertiary education in the Arab States is higher than in any other developing region.

The effect of all this is regressive and diverts substantial resources from broad-based expansion of education. For example, Egypt's National Human Development Report, estimates that 54% of tertiary spending goes to the richest third of households while only 10% go to the poorest third.¹²

Subsidies to tertiary education have proven to be inequitable because students in tertiary education are typically from higher-income groups. They have used scarce public funds for purposes that private money could have largely covered. And they made particularly little human development or economic sense when much of the population is illiterate.

There have been similar problems in health services. Spending is often skewed towards high-tech hospitals offering high standards of treatment for diseases of the affluent, leaving people without even the most basic health care particularly in rural areas.

Poor quality of education and health services is among the problems related to the inefficiency of public spending in Arab countries. With respect to education, studies from Egypt show that competency in language and mathematical skills are 30 and 40% the levels expected from primary school students. In an international study of the educational achievements of eighth grade students in 1996, Kuwait, which spends generously on education came in the 39th position out of 41 countries at different levels of development. Jordan, often praised for high quality education, was the only Arab country to participate in the same study in 1995 and ranked lowest among 16 countries.

Box 3**Oil for reading and a solution for life**

The Iraqi literacy campaign illustrated what can be done when a resource-rich government is committed to education. The Ba'athists had both an ideological commitment to the goal of universal literacy and the resources that the oil boom of the 1970s provided. There had been literacy campaigns during the 1960s, but these had foundered due to lack of information on the characteristics of illiterates, inadequate and insufficient textbooks, paucity of funds, and low motivation of the adult learners.

From 1971 to 1978, the government conducted crash campaigns to train teachers. In November 1977 it conducted a census to determine the characteristics of the illiterate: 2.2 million illiterates, aged 15 to 45, of whom 70% were women. The government then passed laws requiring attendance at adult-literacy classes, made extensive use of trade unions and other "popular organizations," daily use of TV, and so forth. Different textbooks were prepared for peasants, workers, housewives, and soldiers. To ensure female participation in classes, nurseries were provided.

The impact seems to have been considerable: 84% of the target population attended classes, and many women left home for the first time to attend. The cost was high: over \$700 million was spent, a cost of approximately \$350 per person reached by the campaign. But most development specialists would agree that the investment was well worth it.

Political commitment often helped overcome constraints through cost-effective means. Oral Rehydration Therapy (ORT) is spreading in the region, with Syria, Tunisia, Morocco, and Egypt manufacturing their own packages of salt needed for the life-saving ORT solution. Use of this simple technique has cut Egyptian infant mortality from diarrhea by nearly half in only a few years.

Sources: Iraq National Human Development Report 1995, Sousa 1982, Richards and Waterbury, 1996

Bad policies have distorted the output of the educational systems to become grossly out of tune with the requirements of the labour market. This contributed to the high rate of unemployment among the educated in the region – a reflection of the mismatch between excess supply from tertiary education and the demands of the economy. It also contributed to a steady decline of overall productivity of 0.2% a year between 1960 and 1990 - a period when by contrast productivity was growing at a little less than 2% in East Asia.

Food subsidies: Food subsidy programmes are another area of public spending where inefficiencies could be reduced. Universal food subsidy programmes have been extensively used for nutritional and income transfer purposes. In Egypt, for example, in the early 1980s, food subsidy allocations constituted about 20% of public expenditures, among the highest in the world. Universal food subsidy schemes have contributed to nutritional improvements, though lacked cost-effectiveness as their benefits were disproportionate to their high budgetary cost. In Egypt, Morocco, Sudan and Tunisia they helped raise caloric intake but contributed less to nutrition due to lack of hygiene, sanitation and other complements to food intake. Moreover, a greater share of their benefits went to the rich than the poor. Because they were universal, rather than rationed or targeted, the rich bought more of the subsidized goods than the poor who could only afford small quantities.

Today despite reductions in food subsidy outlays (facilitated partly through targeting), daily per capita supply of calories and protein in the Arab States are higher than in any other developing region. Syria and Egypt, respectively have the second and third highest daily per capita caloric supply in the developing world after Turkey. Yet malnutrition persists amid obesity - 18% of children under the age of five are underweight and about a quarter suffer from stunting.

Social assistance: Inefficiencies in welfare and social assistance programmes also persist. Egypt's social assistance program is focussed on poor beneficiaries, has a fairly large coverage (2.7 million people), but pays minuscule benefits (5% of the poverty line) at a high administrative costs of 12% of total outlays. Tunisia's program of direct transfers to pre-schoolers, the handicapped, and to the needy, families includes some targeting and serves a significant proportion of these beneficiaries. However, it still costs three times as much as would be needed to give all the poor the equivalent of the poverty line income each year (assuming perfect targeting).¹³

Military spending: Another area that needs to be reconsidered. In a vicious circle of cause and effect, military tensions have both led to, and resulted from, enormous resources being directed to the acquisition and development of arms and armies. The estimated financial losses to Arab countries from the first (Iran-Iraq) and second Gulf wars and the Lebanese and Yemeni civil wars are estimated at US \$ 904 billion, of which Iraq's share was US \$ 422 billion.¹⁴ In Lebanon, material losses in terms of infrastructure destroyed or decayed during the sixteen years of war, were estimated at between US \$ 25 billion and US \$ 30 billion – equivalent to between ten to twelve times the national income of the country at the end of the war.

Military expenditures in the region were about 7% of GDP in 1996, significantly higher than in any other region of the world and nearly three times the global average. Compared to other regions of the world, the ratio of military expenditures to health and education expenditures at 108% was the highest in 1990-91.

Gender inequality

Despite rapid progress in building women's capabilities, wide disparities persist between males and females in the Arab region. Compared to other regions, only South Asia suffers greater gender inequalities in education. Though school combined first, second and third-level enrolment rates improved as compared to males' rates, they still stood at only 85% of male's enrolment in 1997.

And while Arab women have expanded their capabilities through more education, health gains, lower fertility, etc., their access to opportunities is still very limited. In general, women have been more successful in overcoming barriers to building their capabilities than in overcoming barriers to using these capabilities. Though Arab women's participation in the labour force increased, only 19.2% of Arab women above the age of 15 were economically active in 1997. This is significantly lower than the proportion of women's participation in the region with the second lowest female economic activity rate: South Asia.

Even lower is women's share of decision-making positions in government and business. Women hold 3.7% of seats in Arab countries compared to a still very low world average of 12%. In the nine Arab countries for which data is available they constitute only 8.6% of administrators and managers and 31% of professional and technical workers. Lack of political and economic participation is reflected in the low rankings of Arab countries according to the Gender Empowerment Measure (GEM) which accounts for women's share of parliamentary seats, administrative, managerial, professional and technical jobs as well as income (annex table VIII). Arab countries for which data is available are among the lowest third of the 102 countries ranked according to the GEM.

Lack of political commitment to address gender equality is evident at various levels. Only a few countries have made investment in closing gender gaps among the priorities of their social plans. Nine Arab countries have neither signed nor acceded to the Convention on the Elimination of all Forms of Discrimination against Women. Arab countries represent one third of countries that have not ratified this convention. Arab women still face legal inequalities. For example, women need the husband's consent to earn income outside the home and to travel abroad in some Arab countries. Arab women married to foreigners cannot transfer citizenship to their husbands, though men in similar situations can.

IV. Policy recommendations

Arab countries need to correct development imbalances in order to more effectively translate wealth into human development, to sustain progress and carry it further. Gains of the past are threatened due to a slow-down of growth.

Political commitment to people-centered development that translates into greater capabilities and opportunities for citizens of Arab countries is critical. The commitment should be to well-defined and monitorable human development and poverty reduction objectives.

Nietzsche observed that the most common human error is not being clear about what the objective of human action is. What is the objective of ₁₇development in the Arab States? Is it to

increase national wealth? To accelerate growth? Or to enhance human development so as to ensure people's capabilities and well being?

From a human development perspective the answer is clear. Development aims at expanding the choices available to people, including to live a long and healthy life, to be educated and knowledgeable and to enjoy a decent standard of living. Of course increasing wealth and income are critically important. However they are necessary but not sufficient conditions. They are means to more important ends.

To effectively reduce poverty there is a need for mobilizing broad support, drawing on the strengths and capabilities of a broad network of actors in government, academia, the media, the private sector, voluntary and non-governmental organizations and the social services and other profession. The power of ideas has so often been underestimated. Political commitment needs to be backed by research and policy analysis that identifies problems, diagnoses their causes, and presents options for policy makers highlighting the tradeoffs and costs of each option. An increasingly dynamic and constructive civil society in the Arab region, including public and non-governmental think tanks and research institutions promise to effectively provide intellectual and analytical ammunition for operationalizing the commitment to human development. Many of these institutions contribute to studies, reports and publications as well as advocacy that seeks to contribute to national debates and impact policy. The thirteen National Human Development Reports that UNDP has supported in the region since 1994 are a case in point. The analysis, analytical tools and indices presented in these Reports can assist policy makers. For example, the analysis made possible by the use of the disaggregated HDIs should help guide policy and action to address gaps and inequalities by, for example, refocusing public expenditure (or aid allocations) to regions with low HDI ranking as has happened in Egypt (box 4).

Box 4

Egypt addressing regional disparities in human development

Egypt's National Human Development Reports (NHDRs) have used disaggregated HDIs and other disaggregated human development indicators to analyze rural-urban inequalities, regional disparities, and gender gaps. The Reports became useful decision-support tools for national and sub-national policy making, for resource allocation and for the monitoring of progress. Since the country published its first report, all 26 of its governors have been meeting to jointly examine disparities in human development among and within governorates, and they have come up with fresh strategies to reduce them. They shifted development priorities and reallocated resources to under-served areas. The governors established a Platform for Action and Monitoring to assess progress in reducing human development disparities using the findings and indicators in the National Human Development Reports a basis for analysis. It is also worth noting that the reports are used as a source of policy analysis by the People's Assembly and the Shura Council, the two Egyptian houses of parliament.

Turkey was the first country to use disaggregated HDIs. Today NHDRs for several Arab States present disaggregated HDIs including Lebanon and Jordan's forthcoming NHDR

Most people gain from reform that seeks to advance human development and reduce poverty. There are also bound to be those who rightly or wrongly perceive that they will lose from such reform, at least in the short-term. Policy research and analysis can help inform and mobilize potential winners to support reform. In many cases the potential winners are unorganized/unmobilized or simply unaware of their potential gains. Of course there are

individuals and groups who support human development for the public or moral good rather than for securing their own rights or vested interests. Those are natural allies of reform for human development.

Resistance to human development reform comes from those who perceive that they will lose from it. Analysis and research for human development should also help address misperceptions of those who wrongly expect to lose from reform. There are also reforms for human development where everyone wins now and in the future. It is important to identify such positive-sum cases that are often perceived as zero-sum. They should be accorded the high priority they deserve.

In addressing the political economy obstacles and in building coalitions for human development and poverty reduction, it is useful to recognize that governments and institutional agents for development within and outside governments are not monolithic. They often include both potential winners and potential losers.

Five essential actions are needed to accelerate human development and poverty eradication.

I. EMPOWERMENT: Empowering individuals, households and communities to gain greater control over their life and resources by:

A. Ensuring access to assets as a protection against vulnerability. Access to credit and other financial services is vital, as is security of tenure, especially for housing and land.

Credit, and particularly formal credit, is hardly accessible to most of the poor as they are asset-deprived and hence with little or no collateral. Credit remains overly concentrated on larger enterprise. In Lebanon for example in 1993, a very small fraction of borrowers (0.2%) received about 21.4% of loans, while 77% received only 6.5%. What hinders the access of many small-scale entrepreneurs and mini-firms to credit is their inability to provide bank requirements such as feasibility studies and business plans. In Egypt, for example, about 95% of small enterprises do not even have a bank account. Poor women are doubly disadvantaged due to social norms. Access to credit is only marginally improved by social, including kinship, networks and the expansion of formal banking facilities and state-funded rural credit. The poor largely have no alternative to informal credit facilities that provide them with an important coping mechanism against vulnerability. However, most of these mechanisms are costly.

The misperception that supporting micro-enterprises requires the provision of credit at interest rates below market rates is pervasive in the region. This raises the costs of micro-credit schemes and undermines their reach, scale and sustainability. In Egypt, for instance, assistance from government-sponsored schemes, NGOs and outside donors reaches only 5% of possible beneficiaries. While subsidizing credit limits its coverage and makes it attractive for political manipulation, it ignores the fact that market interest rates are not the constraint binding micro-entrepreneurs from accessing credit. Lacking access they often pay interest as high as 100%. In comparison an unsubsidized interest rate of 28% is cheap.

Countries such as Lebanon are trying to use retail financing through banks or companies, operating in a competitive environment to enhance the ₁₉ access of micro and small entrepreneurs to

credit. This is the most likely to be effective, as shown by recent developments.¹⁵ Establishing public guarantors of small and medium loans, as is happening in Lebanon at the national level and in Egypt under the social fund should be approached with caution because of it carries the risk of moral hazard and unsustainability.

One means of easing this constraint is to find better mechanisms to account for the poor's assets in order to use them as collateral. De Soto estimates that informal assets in Egypt account for \$ 240 billion or three times annual GDP. The poor have no formal titles to these assets that include dwellings. Mobilizing even a fraction of these assets for credit purposes would help the poor access credit.

Land reforms that swept through the region after World War II helped improve land distribution. Inequality of land distribution as measured by the Gini has been reduced in a number of Arab countries since the fifties. Between the fifties and eighties, the Gini coefficient of land ownership in Egypt, for example, declined from 0.50 to 0.35, and in Iraq it declined from 0.76 to 0.35. This has contributed to the decline of inequality. However, the reforms were less effective in reducing poverty as they primarily benefited the rural middle or lower-middle classes rather than the poor. Most of the poor are left with no land or unproductive land as over 90% of the land in Arab States is arid or semi-arid. Desertification further undermines the availability of land. In Yemen, for example, 97% of the land suffers from Desertification, albeit in different degrees.

Land redistribution does not seem to be an option due to political considerations and the fact that fragmentation of ownership, largely due to inheritance laws, is already a problem hindering optimal exploitation of land. More promising means to enhance poor people's benefits from land, include improving the security of tenure to induce more sustainable use of land and facilitate its use as collateral. De Soto's above-mentioned recommendations seem relevant. However, they should be applied selectively to avoid cases where formalizing land tenure might hurt poor people, e.g. common lands in the Horn of Africa that do not have ownership titles and are usable by the poor through traditional rights. Strengthening land markets that are nearly non-existent in many Arab countries should also help poor people sell land in time of hardship and purchase it in time of prosperity as an investment.

Land reclamation plans as those for Upper Egypt promise to fill part of the gap. The opportunity cost of the large investments they require needs to be given special consideration. Government action is also needed to improve access to, and control over, resources such as agricultural research and extension, supply of agricultural inputs, needed for efficient utilization of existing land by poor people.

B. Food security: Ensuring food security for households and all their members is a basic aspect of human development. For many years, policies aiming at food security in the region have focussed on increasing the supply of foodstuffs rather than improving poor people's access to food through raising their entitlements and securing even geographical distribution of foodstuffs. Famines in Sudan in the 1980s were partly a consequence of policies fixated on increasing production and supply rather than securing access, entitlements and distribution. While Western Sudan suffered the famine, food stocks lingered elsewhere in the country.

A less dramatic variation on the theme of ₂₀ overemphasis on food supply at the expense of

access and entitlements is evident in the very high levels of caloric and protein intake in many Arab countries that are incommensurate with their low nutritional levels. There is a need now to reorient policy towards focussing on the poor people's access and entitlements rather than just supply. This calls for a more balanced approach and does not imply that food supply and production is not immensely important.

Food production in the region is still far below population needs. High caloric intake levels come at a considerable cost. The Arab region remains heavily dependent on food imports. It is estimated that by the year 2000, the per capita share of food imports will rise from \$100 to \$300 annually. Although the Arab States account for 4% of the world's population, they import 13% of the food and 20% of the cereals traded in international markets.

Consumer food subsidies have been a major means for enhancing food security in many Arab countries. Their objectives have varied from securing universal access to basic food-stuffs (Egypt and Morocco) to reducing poverty by protecting the purchasing power of the poor, improving their nutritional levels and providing them with in kind transfers (Tunisia since the early 1990s).

To enhance the effectiveness of food subsidies in combating poverty there is a need to identify poverty reduction as a primary goal; to integrate food subsidy programmes into national development and poverty reduction strategies; and to apply targeting mechanisms, particularly self targeting (using goods with negative income elasticity as vehicles for food subsidies). Tunisia and Egypt have gained considerable experience with self-targeting that could be useful not only for targeting food subsidies but also for targeting other types of public spending, e.g. on the social sectors to increase their coverage of poor people and reduce leakage to the non-poor. Replacing food subsidies with income transfers could also be considered since the latter allow the poor to spend the government's assistance on whatever they need most rather than limiting their choices to food. Income transfers are more useful in countries that have the capacity to target transfers through administrative means, e.g. by using means testing.

C. Education and health: Ensuring education and health for all, along with access to reproductive health care, family planning and safe water and sanitation are major human development objectives. These goals need to be achieved within a decade or two, not postponed for another generation. Commitments made at UN-sponsored conferences during the 1990s, such as the World Summit for Social Development provide for that. Arab governments need to accord these commitments the priority they deserve. Some Arab countries have already reached targets (table 4).

Table 4
Some Arab countries have already reached some of the human development goals for 2000 and beyond

Goal	Number of Arab States that have reached the goal
Life Expectancy above 70 years	6
Under-five mortality rate below 70 per	21

1,000 live births	13
Net primary enrolment ratio of 100%	2
Girl's primary enrolment equal to or greater than boys'	3
Countries in region	19

Note: The life expectancy goal is for 2005 (ICPD) 1994, the under-five mortality goal for 2000 (WSSD 1995), the enrolment goal for 2000 (UNESCO 1996c) and the girls' primary enrolment goal for 2005 (WSSD 1995).

Source: For life expectancy, UN 1996, for under-five mortality rate, UNICEF 1997; and for net enrolment, UNESCO 1996.

Governments need to adopt targets that better reflect their resources and aspirations. For example, the goal of nine years of basic education for all children seems to be feasible for most Arab countries. By 2010 in all countries, minimum enrolment rates should 100% for primary school, 70% for secondary school, and 25% for higher education. The annual cost of achieving this expansion (adjusted for population growth, higher teacher salaries and modest quality improvements) is about US \$16 billion in Egypt, Jordan, Morocco, and Tunisia in 2010 - three times their spending in 1990.¹⁶

To enhance the impact of social spending on human development there is a need to increase the share of investments as opposed to recurrent expenditures in social spending. In Yemen, for example, expenditures to cover recurrent costs absorbed the lion's share of spending on education (93% on average between 1992 – 96 compared with only 7% for investment in education).¹⁷ On average 90% of recurrent education expenditures in the region are allocated to human resources.

In Arab countries with middle and low human development, there is a strong case for restructuring public spending on education to refocus on the primary and secondary levels and public spending on health to ensure full coverage of preventive health measures. Resources reallocated towards basic education should be targeted to the poor and to enhancing the quality and effectiveness of public education. Resources could be focussed on human development priorities through intra-sectoral reallocations (e.g. from tertiary to basic education) and inter-sectoral reallocations (e.g. from military expenditures to human development priority concerns) and by privatization of loss-making inefficient public enterprises. Since the resource position is tight, a lot can be achieved by sidestepping prestigious development projects and by focusing instead on essential development priorities. Subsidies should be reserved for social programmes that reach the masses rather than benefit a few-- for example, primary health care services instead of urban hospitals, basic education instead of universities. In the education sector, this is already taking place in Lebanon (where higher education is mostly private) and to a lesser extent in Jordan where one-fifth of tertiary education enrollments are in private institutions.

The 20/20 initiative supported by UNDP calls for the allocation of 20% of public spending to basic social services and 20% of aid allocations. Public expenditure reviews undertaken as part of this initiative, as in Lebanon, or as part of National Human Development Reports, as in Egypt, have often revealed imbalances in social sector allocations as well as the significance of private spending. In

Lebanon, for example, 50% of expenditures on health care were found to be private (around 12% of GDP)¹⁸ and two-thirds of pre-university students were enrolled in private schools.¹⁹ There is a need to increase private sector involvement in the social sectors. Yemen's National Human Development Report, for example, calls for the private sector to contribute 3- 40% of private investments in education.

D. Social safety nets: Strengthening social safety nets to prevent people from falling into destitution and to rescue them from disaster. Safety net and welfare programs usually include subsidies on basic consumer goods, such as food, water, and energy, as well as direct assistance in the form of family allowances and cash transfers.

As mentioned above, some programmes have substantial leakage and limited impact on the poor because they do not establish a link between eligibility and poverty. State retrenchment in the last decade has strained safety net programmes.

Government action is needed to improve the efficiency of social safety nets and welfare programmes through improved targeting to the poor which reduces leakage to others. Self-targeting by focusing subsidies on inferior goods or services, is particularly promising because of its low administrative costs.

Private philanthropy, emanating from the religious and cultural traditions of the region, could be more effectively tapped and targeted for poverty eradication. Currently much of private philanthropy goes to charitable transfers, in kind or in income, that are used for consumption rather than for investments that contribute to lasting sustainable benefits.

In assessing and publicizing performance in advancing food security, health and education, social safety nets, etc., governments need to refocus on results and outcomes rather than inputs. Overemphasis on the latter seems to prevail currently. This is, manifest in Government plans and progress reports, which often focus on how much was spent or constructed in one social sector or another, e.g. how many schools were built. While important, it is equally if not more important to monitor the results and benefits accruing to people from these inputs, e.g. to what degree did the new schools reduce the school dropout rate or improve literacy.

II. GENDER EQUALITY: Improving gender equality to empower women and to release their vast under used energy and creativity. Because of significant gender gaps in the region, poverty eradication without gender equality is impossible and a contradiction in terms. Among key priorities are equal access to education and health, to job opportunities and to land and credit and actions to end domestic violence. Upholding gender equality is not an act of benevolence but is needed for the progress of the Arab States. The Arab people cannot succeed with half of them denied equal capabilities and opportunities. To accelerate the pace of progress on gender issues Arab countries should adopt a strong agenda for policy action. Action is particularly needed for: setting a firm timetable to end legal discrimination and establishing a framework for the promotion of legal equality; taking concrete action to restructure social and institutional norms; fixing certain threshold targets to gain momentum for complete gender equality; implementing key programmes for universal female education, improved reproductive health and more credit for women; and mobilizing national and international efforts to target programmes that enable people, particularly women, to gain greater access to economic and political opportunities.

Reallocating resources to advancing women's education and economic participation offers one of the easiest ways to reduce poverty as the recent experience of Morocco and Tunisia has shown. Poor human development indicators can be partly attributed to neglect of female education and the failure to capture the considerable externalities from educating girls - in health and economic growth. The financial cost of closing the gender gap in education in the Arab region is estimated at less than 1% of GDP.²⁰

Empowering women should have positive multiplier effects on other aspect of human development. Studies show that income is more likely to be spent on human development when women control the cash. The fact that even in one of the most gender equal societies in the region such as Lebanon, salaries of males are between 27% and 50% higher than salaries of females does not contribute to improving women's autonomy nor to the positive effects this has on their children.²¹

The greatest challenge for policy aiming at gender equality lies in advancing women's equal rights and political and economic participation. As mentioned before, progress in advancing women's participation has lagged behind progress in advancing their capabilities. Experience during the past few months in Kuwait, Egypt and Morocco highlights the challenges facing gender emancipation within democratic systems in the region. In the three cases, parliaments resisted bills introduced by governments to allow women to participate in elections in Kuwait and to enhance personal rights in Egypt and Morocco.

III. PRO-POOR GROWTH: Higher growth is essential for sustaining human development and reducing poverty. Moving from zero growth to 1% annual growth rate would reduce the number of poor in the region by about 7 million over the next decade. Without faster growth and with the continuation of past growth patterns, the number of people living on less than \$1 a day would rise to about 15 million by 2010. The World Bank estimates that a minimum of 1.2% average annual growth in real consumption is needed for the MENA region to halve poverty (i.e. percentage of the population living on less than US \$2 per day) in 25 years.²²

The pattern and type of growth is as important as its rate. In several Arab countries in the past few decades, growth has coincided with increasing poverty. In Egypt, for example, between 1981-96 and in Sudan between 1968-78, moderate growth (0-4% in GDP per capita) has coincided with rising poverty.²³ Arab countries cannot afford growth that is jobless, voiceless, ruthless, rootless, and futureless.

Job creation is critical if income growth is to effectively improve peoples' lives. Public policy promoting labour intensive growth is needed. Otherwise, income growth does not automatically contribute to employment opportunities. An analysis of the experience of about one hundred countries during the eighties showed that in only about a third was growth associated with an expansion in employment opportunities (measured as the difference between the growth rate of employment minus the growth rate of the labour force). In about a fifth of the cases employment opportunities contracted despite growing income.²⁴

Employment creation and opportunity expansion is a high priority of economic policy. Jobs for about 50 million new entrants into the Arab workforce will have to be found by 2010. If current trends continue, the number of unemployed will more than double to 15 million by then. New entrants will have to compete with the more than half a billion²⁴ entrants into the world's labour force. Most of

the latter will be earning wages below the average for the Arab region, nearly all of them will have attended primary school, and more than 150 million of them will have completed secondary school. The outcome of the competition will be determined to a large extent by the effectiveness of human development efforts in the Arab region. To maintain living standards, Arab countries will have to improve labour productivity and raise female participation in the labour force. All this highlights the strong link between human resource development and globalization. The link needs to be strengthened by addressing the mismatch between the outputs of the Arab education systems and the demands of national and international markets.

IV. GLOBALIZATION: Since 1981 growth of merchandise trade in the Arab States has been lower than in any other region, and terms of trade deteriorated faster than other regions except Latin America and the Caribbean.

In 1997-98, the share of Arab countries in international trade declined to less than 3%. For Arab countries, the share of manufacturers in their total exports has been picking exports up slowly. However, it is still miniscule with 260 million people. The value of Arab manufactured exports is equal to that of Finland, which has a population of only 5 million people. Arab countries have been unable to use national capital domestically (capital from the region invested abroad is about US \$ 600 - 800 billion). They attracted only less than 3% of foreign investment.

Needed is selective management of liberalization that gives priority to the interests of poor people rather than to liberalization dogma. Trade and capital flows need to be managed more carefully and national governments should exercise more discretion when adopting policies of liberalization. A selective approach to the global market would follow the example of most East Asian economies - with time-bound, performance-related protection for potentially viable industries, some industrial intervention and some management of foreign capital flows. This should help increase and diversify exports which is necessary to meet future import requirements such as food and to reverse past trends.

To increase their share of international financial flows, Arab countries need to streamline and clarify their regulations and put needed financial information in the international arena to attract investors. Easing unnecessary regulations while building a system that addresses the needs of national and foreign investments is essential in most countries.

The prospects for reducing the debt burden of highly indebted Arab countries through inter-Arab or international agreements should be explored. Arrangements by which the Paris Club creditors of Poland and Egypt agreed to reduce their debt service commitments by half, provides a precedent worth repeating.

V. STRATEGY: A strategy for poverty eradication must focus not only on what needs to be done, but on how to ensure that action is taken. This requires such fundamental reforms as promoting political participation by all, ensuring accountability and transparency in government, preventing the criminalization of politics, promoting a free flow of information and freedom of the press and ensuring a strong role for community groups and NGOs in policy-making and legislative decision-making. The legitimacy and strength of the state are based on its capacity to mobilize and be mobilized in the fight against poverty.

Mainstreaming human development and poverty reduction within national economic policy is needed. The economic priorities of structural adjustment sideline too often human development and poverty reduction. Countries that have reduced poverty while adjusting have shown that poverty reduction should be part of the goals and the process of structural adjustment (box 5). This has now been accepted as a principle of international policy on adjustment, though it is not yet always practiced.

Various countries follow, and should follow, different paths for making policy and plans to improve human development and reduce poverty. Several elements are usually essential. At the World Summit for Social Development (WSSD) in 1995, most Arab countries committed themselves to address the following elements of a poverty reduction strategy. Compared to other regions, Arab States by 1998 had the lowest rate of implementation of some of the most important poverty reduction commitments made at the Social Summit.

A. *Estimating the incidence of poverty* is an important step towards assessing the problem and mobilizing the commitment and resources to address it. Four years after the WSSD only half of the Arab States had poverty estimates. Some of the countries that have estimates, such as Morocco and Sudan, still rely on estimates made in the early 1990s (annex table 11).

Estimating the incidence of poverty requires the identification of poverty and poor people. This should help address the ambiguity that has often shrouded the problem of poverty in the region. Government pronouncements and the media often skirt the issue. While terms such as “people with limited income” (*mahdoudi el dakhl*) are commonly used, direct reference to poor people is rarely made.

B. *Planning for poverty eradication*: Arab governments also committed themselves to the goal of eradicating poverty and to "formulate or strengthen as a matter of urgency, national policies and strategies geared to substantially reducing overall poverty in the shortest possible time, reducing inequalities and eradicating absolute poverty." Three years later in 1998, only four Arab countries had explicit national poverty plans in place and another six had national poverty plans under-development (table 5). Experience shows the value of developing plans and programmes of action focused on priority groups and priority sectors.

Poverty plans should be backed by national assessments of the main causes of poverty together with a strategy document costing targets and setting out the policies and actions needed to eradicate poverty. Experience shows the value of developing programmes of action focused on priority groups and priority sectors and of budgetary commitments to allocating the resources needed to keep the strategy on track. A priority is to enhance the effectiveness of spending aimed at reducing poverty both to improve its impact and as the best argument for increasing such spending. Plan implementation needs to be monitored against targets to assess progress, guide corrections when the strategy goes off track and maintain public awareness and support.

C. *Setting targets*: For poverty reduction efforts to be activated and monitored and for resources to be allocated there is a need for objectives to be set through a participatory process. A core set of measurable and time-bound targets is critical for mobilizing support and monitoring implementation. Setting such targets is also a major commitment made by most Arab countries at the Social Summit. The Arab States have the lowest rate of implementation with only one eighth having set poverty reduction targets.²⁵ Three Arab States adopted 26 targets for extreme poverty reduction and

another three for overall poverty reduction (table 6).

Targets should also be set to reduce human poverty and not only income poverty. While most policy makers in the region and their national and foreign advisors agree that poverty is multi-dimensional, the measures they use for identifying and aggregating poverty and for setting targets for its reduction are unidimensional based on income (or expenditures) only. Income-based measures of poverty are particularly inappropriate for the region because, as mentioned before, human poverty in terms of the Human Poverty Index (HPI) is much higher than income poverty at regional and national levels.

Table 5
Poverty Planning

Explicit National Poverty Plan in Place		Explicit National Poverty Plan under Development		No Plan, but Poverty Reduction in National Planning	
130 dev'g countries	15 Arab countries	130 dev'g countries	15 Arab countries	130 dev'g countries	15 Arab countries
43	4	40	6	35	2
33%	27%	31%	40%	27%	12%

Table 6
Poverty Targets

Target for Extreme Poverty Reduction		Target for Overall Poverty Reduction	
130 dev'g countries	15 Arab countries	130 dev'g countries	15 Arab countries
44	3	45	3
34%	20%	35%	20%

Box 5

Structural adjustment with a Tunisian face

With one of the lowest rates of absolute poverty in the developing world, Tunisia's progress in reducing deprivation has been impressive. Its continuation during a period of stabilization and adjustment has been particularly remarkable. Stabilization and adjustment started in 1986 to reverse the growth of budget and balance of payments deficits, which grew, respectively to 5.6% and 7.9% of GDP between 1980 and 1986. By 1986 a balance of payment crisis seemed imminent. To avert the crisis, the current account deficit was reduced through demand management (tighter fiscal and monetary policies and exchange rate adjustment). The stabilization programme was largely successful not only in balancing the budget and the current account but also in resuming growth. Devaluation of the exchange rate and a fall in investment narrowed the current account deficit from 8% of GDP in 1986 to 4% in 1993. The net budget deficit was more than halved from 5.6% of GDP in 1986 to 2.6% in 1993. Despite lower investment, annual GDP growth was higher in 1987-93, at 4.7% than during 1980-86, at 3.6% a year.

The poor were largely protected from the rise in unemployment, which accompanied the contractionary policies. Many poor people benefited as changes in incentives associated with adjustment promoted growth in sectors relying on unskilled labour (textiles, clothing, leather products, tourism and simple offshore activities). Most jobs generated were at low wages and for unskilled and temporary workers.

Moreover, the poor benefited from an increase in well-targeted social spending which the government managed while achieving fiscal adjustment. While the government was halving the budget deficit from 5.3% of GDP in 1986 to 2.6% in 1993, it was increasing per capita social spending between 1987 and 1993/94 by 14% in real terms - from 47.5% to 52.5% of gross government expenditures. As a share of GDP social spending rose from 18.3% to 20.9% during the most severe period of stabilization, 1987-89.

All this contributed to an improvement income distribution, which further helped poverty reduction. The Gini coefficient fell from 43.4% in 1985 to 40.1% in 1990. In 1985, the richest decal of the population accounted for 33.9% of total expenditures, and the bottom decal for only 2.2%. In 1990, this disparity was reduced, with the richest decal accounting for 30.5% and the poorest for 2.3%. Moreover, in 1990, average expenditures for both groups were closer to mean expenditures than in 1985. Real consumption expenditure per capita increased by 10% during 1985-90. Roughly two thirds of the decrease in poverty is attributable to the growth in mean consumption, and the rest to improved income distribution.

Unlike many countries implementing stabilization and structural adjustment policies, Tunisia succeeded in combining them with sustained human development and poverty reduction. In Tunisia structural adjustment had a human face. And future prospects are promising. Based on the current poverty line standards, a moderate increase in the rate of growth of mean consumption of about 2.5% a year, combined with continued improvement in equality consistent with recent trends, could eliminate income/consumption poverty in Tunisia by the year 2000.

Sources: UNDP 1996, World Bank 1995, Bedouin and Gouia 1995

Policies in the Arab States should aim at creating a virtuous cycle of growth sustaining human development and human development sustaining economic growth. The path to a virtuous circle starts with a focus on people. The backlog of deprivation must be tackled if growth is to be resumed on a sustainable basis. The need for tackling this deprivation is particularly urgent in the case of the Arab countries with low human development. As the Human Development Report 1996 shows: every country that was able to combine and sustain both rapid human development and rapid growth did so by accelerating advancements in human development first, as in the case of China and Indonesia, or simultaneously with economic growth, as in the case of Botswana. By contrast, countries which relied primarily or economic growth to get them to a situation where growth and human development become mutually reinforcing failed in their efforts as lack of human development kept undermining

their growth process. Human development is a pre-condition for sustained economic growth. And poverty reduction is needed for both.

ANNEX

Prepared with assistance from Nora Khalaf

Glossary of Poverty and Human Development

Human poverty

Denial of choices and opportunities most basic to human development, reflected in a short life, lack of basic education, lack of material means, exclusion, and a lack of freedom and dignity.

Human poverty is:

- Multidimensional rather than unidimensional;
- People-centred, focusing on the quality of human life rather than on material possessions.

Human poverty index

The human poverty index (HPI) measures deprivation in basic human development in the same dimensions as the HDI. The variables used to show these dimensions are the percentage of people expected to die before age 40, the percentage of adults who are illiterate, and the overall economic provisioning in terms of the percentage of people without access to health services and safe water and the percentage of underweight children under five.

Human development

The process of expanding people's choices and the level of well-being they achieve are at the core of the notion of human development. Such choices are neither finite nor static. But regardless of the level of development, the three essentials include the ability to lead a long and healthy life, to acquire knowledge, and to have access to the resources needed for a decent standard of living.

Human development does not end there, however. People also highly value political, economic and social freedom, opportunities for being creative and productive, self-respect and guaranteed human rights. Income is a means, with human development the end.

Human development index

A composite index, the HDI measures the average achievements in a country through three basic dimensions of human development: longevity, knowledge and a decent standard of living. The variables used to show these dimensions are life expectancy, educational attainment and real gross domestic product per capita.

Gender-related development index

The gender-related development index (GDI) measures achievements in the same dimensions and variables as the HDI does, but takes account of inequality in achievement between women and men. The greater the gender disparity in basic human development, the lower a country's GDI compared with its HDI. The GDI is simply the HDI adjusted downward for gender inequality.

Gender empowerment measure

The gender empowerment measure indicates whether women are able to actively participate in economic and political life. It focuses on participation, measuring gender inequality in key areas of economic and political participation and decision-making. It thus differs from the GDI, an indicator of gender inequality in basic capabilities.

Incidence of poverty

The incidence of poverty is an estimate of the percentage of people below the poverty line. It does not indicate anything about the depth or severity of poverty and thus does not capture

any worsening conditions of those already in poverty.

Poverty lines

· *Poverty lines for international comparison.* A poverty line set at US\$1 a day per person is used by the World Bank for international comparison. This poverty line is based on consumption of goods and services. A poverty line of \$2 a day is suggested for Latin America and the Caribbean. For Eastern Europe and the republics of the former Soviet Union, a poverty line of \$4 a day has been used. For comparison among industrialized countries, a poverty line corresponding to the US poverty line of \$14.40 a day per person has been used.

· *National poverty lines.* Developing countries that have set national poverty lines have generally used the "food poverty" method. These lines indicate insufficient economic resources to meet basic minimum food needs. In industrialized countries, national poverty lines are used to measure relative poverty. The European Commission has suggested a poverty line for these countries as half the median, adjusted personal income.

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END NOTES

- 1 This should not discount the pioneering efforts of countries such as Morocco, Lebanon, Jordan and Yemen.
- 2 Generalizations about the Arab region are bound to blur important national and sub-regional specificity. Regional generalizations in this paper should be approached with caution. From a human development perspective, countries in the region can be sub-divided into three groups: high human development (Kuwait, Bahrain, Qatar and the United Arab Emirates); medium human development: (Libya, Lebanon, Saudi Arabia, Oman, Jordan, Tunisia, Algeria, Syria, Egypt, Iraq and Morocco); and low human development (least-developed) (Sudan, Yemen, Djibouti, Somalia).
- 3 Many of the statistics cited here, though from internationally reputable sources, might be criticised for inaccuracy. There is no room for discussing data weaknesses here. Suffice to consider Anthony Long's metaphorical warning: we should not use statistics as a drunkard uses a lamppost for support. Instead statistics should be used for enlightenment.
- 4 The levels are higher for East Asia when China is excluded.
- 5 UNDP 1994
- 6 van Eeghen 1996
- 7 Hamdan 1996
- 8 UNDP 1999
- 8 Among Arab countries, only Jordan and Yemen have real GDP per capita ranks lower than their HDI ranks – an indication that they are using their economic resources efficiently to advance capabilities and well-being.
- 10 As measured by the reduction in the shortfall of the non-income components of the HDI (life expectancy and educational attainment)
- 11 World Bank 1999
- 12 National Human Development Report for Egypt, 1998.
- 13 World Bank 1995
- 14 Kossaifi 1999
- 15 Zafiris Tzannatos. 1999. Social Protection in the Middle East and North Africa: A Review. World Bank.
- 16 World Bank 1995
- 17 National Human Development Report for Yemen, 1998
- 18 Nadeem Karam for UNDP. 1999. Lebanese National Budget Allocations for Basic Health Services.
- 19 Lebanon, Ministry of National Education, Youth and Sports (1996)
- 20 *ibid*
- 21 Estimates of female/male wage differences from Lebanon: National Employment Agency et al. 1997 and Central Administration of Statistics 1998
- 22 World Bank 1999
- 23 UNDP 1998
- 24 UNDP. 1996. Human Development Report
- 25 UNDP forthcoming

Annex Table I

Human Development Index

	Human Development Index rank 1997	Human Development Index 1997	Life expectancy at birth (years) 1997	Adult literacy rate (%) 1997	Combined first, second & third level gross enrolment ratio (%) 1997	Real GDP per capita (PPP\$) 1997	Real GDP per capita (PPP\$) rank minus HDI rank (a)
High Human Development							
Kuwait	35	0.833	75.9	80.4	57	25,314	-30
Bahrain	37	0.832	72.9	86.2	81	16,527	-8
Qatar	41	0.814	71.7	80	71	20,987	-23
United Arab Emirates	43	0.812	74.8	74.8	69	19,115	-18
Medium Human Development							
Libyan Arab Jamahiriya	65	0.756	70	76.5	92	6,697	-6
Lebanon	69	0.749	69.9	84.4	76	5,940	-4
Saudi Arabia	78	0.74	71.4	73.4	56	10,120	-37
Oman	89	0.725	70.9	67.1	58	9,960	-47
Jordan	94	0.715	70.1	87.2	66	3,450	2
Tunisia	102	0.695	69.5	67	70	5,300	-34
Algeria	109	0.665	68.9	60.3	68	4,460	-31
Syrian Arab Republic	111	0.663	68.9	71.6	60	3,250	-11
Egypt	120	0.616	66.3	52.7	72	3,050	-14
Iraq	125	0.586	62.4	58	51	3,197	-22
Morocco	126	0.582	66.6	45.9	49	3,310	-27
Low Human Development							
Sudan	142	0.475	55	53.3	34	1,560	-7
Yemen	148	0.449	58	42.5	49	810	18
Djibouti	157	0.412	50.4	48.3	21	1,266	-7
Somalia*	175	0.184 - 0.159	42	15.5	10.5	650	..
All developing countries		0.637	64.4	71.4	59	3,240	..
Arab States		0.626	65.1	58.6	59	4,094	..
World		0.706	66.7	78.0	63	6,332	..

Source: UNDP, Human Development Report 1999

* UNDP, Somalia National Human Development Report, 1998 (Figures are for 1995-97)

Annex Table II

Poverty

HDI rank	Human poverty index (HPI-1)		National Estimate		International Poverty Line					
	1997		Extreme	Overall	Survey year	Population	Poverty	Population	Poverty	
	Rank	Value (%)				below \$1 a day %	gap at \$1 a day %	below \$2 a day %	gap at \$2 a day %	
1997										
	High Human Development									
35	Kuwait	..	..			..	..	..	..
37	Bahrain	10	9.8							
41	Qatar	..	..					
43	United Arab Emirates	27	17.7			..	..	..	..
	Medium Human Development									
65	Libyan Arab Jamahiriya	22	16.4			..	..	..	..
69	Lebanon	14	11.3		35% (1996)*	..	..	..	..
78	Saudi Arabia	..	..			..	..	..	..
89	Oman	39	23.7			..	..	..	..
94	Jordan	9	9.8	7% (1993)	21% (1993)	1992	2.5	0.5	23.5	6.3
102	Tunisia	38	23.1	6% (1997)		1990	3.9	0.9	22.7	6.8
109	Algeria	52	28.8	6% (1995)	14% (1995)	1995	<2	..	17.6	4.4
111	Syrian Arab Republic	32	20.1							
120	Egypt	57	33.0	7% (1996)	23% (1996)	1990-91	7.6	1.1	51.9	15.3
125	Iraq	..	..				..	..	..	..
126	Morocco	67	39.2	7% (1990/91)	13% (1990/91)	1990-91	<2	..	19.6	4.6
	Low Human Development									
142	Sudan	61	36.8		85% (1992)		..	..	..	..
148	Yemen	78	49.2	16% (1998)	30% (1998)		..	..	..	..
157	Djibouti	69	40.8	10% (1996)	45% (1996)					
	All developing countries		27.7							
	Arab States		32.4							
	World		..							

Source: *Columns 1-2*: UNDP, Human Development Report 1999; *Columns 3-4*: UNDP, Poverty Report, Forthcoming;

Columns 5-9: World Bank, World Development Indicators, 1999

* Unsatisfied Basic Needs

Annex Table III

Progress in Survival

HDI rank 1997		Life expectancy at birth (years)		Infant mortality rate (per 1,000 live births)		Under-five mortality rate (per 1,000 live births)	
		1970	1997	1970	1997	1970	1997
	High Human Development						
35	Kuwait	65.9	75.9	49	12	59	13
37	Bahrain	61.8	72.9	67	18	93	22
41	Qatar	60.9	71.7	71	16	93	20
43	United Arab Emirates	60.7	74.8	61	9	83	10
	Medium Human Development						
65	Libyan Arab Jamahiriya	51.5	70	105	22	160	25
69	Lebanon	64.1	69.9	40	30	50	37
78	Saudi Arabia	51.8	71.4	118	24	185	28
89	Oman	46.9	70.9	126	15	200	18
94	Jordan	54	70.1	77	20	107	24
102	Tunisia	53.7	69.5	135	27	201	33
109	Algeria	53	68.9	123	34	192	39
111	Syrian Arab Republic	55.5	68.9	90	27	129	33
120	Egypt	50.9	66.3	157	54	235	73
125	Iraq	54.9	62.4	90	94	127	122
126	Morocco	51.6	66.6	120	58	187	72
	Low Human Development						
142	Sudan	42.6	55	107	73	177	115
148	Yemen	40.9	58	175	76	303	100
157	Djibouti	40	50.4	160	111	241	156
	All developing countries	54.5	64.4	111	64	170	94
	Arab States	50.6	65.1	125	53	192	70
	World	59.1	66.7	98	58	149	85

Annex Table IV

Food Security and Nutrition

HDI rank 1997		Daily per capita supply of calories		Daily per capita supply of protein		Daily per capita supply of fat		Food production per capita index	Food imports (as % of merchandise imports)	Food consumption (as % of total household consumption)
		1970	1996	Total (grams)	Change (%)	Total (grams)	Change (%)	(1989-91 = 100)	1997	1980-85
		1970	1996	1996	1970-96	1996	1970-96	1997	1997	1980-85
High Human Development										
35	Kuwait	..	3,075	98.3	31.1	97.1	38.3	157	16	..
37	Bahrain	..	..	..	..	..	..	117	12	..
41	Qatar	..	..	77.9	..	..	..	137	..	..
43	United Arab Emirates	3,196	3,366	104.8	..	108.3	40.7	190	..	..
Medium Human Development										
65	Libyan Arab Jamahiriya	2,439	3,132	71.8	19.7	112.6	50.1	101	..	..
69	Lebanon	2,330	3,279	82.6	40.0	107.4	67.6	119	..	..
78	Saudi Arabia	1,872	2,735	77.9	62.3	74.4	125.4	90	18	..
89	Oman	..	..	..	..	..	..	101	17	..
94	Jordan	2,415	2,681	69.2	4.8	79.4	32.3	151	..	35
102	Tunisia	2,221	3,250	87.6	43.6	84.9	49.2	150	11	37
109	Algeria	1,798	3,020	80.6	70.8	71.0	97.7	108	32	..
111	Syrian Arab Republic	2,317	3,339	86.7	35.5	92.1	50.8	133	..	..
120	Egypt	2,352	3,289	87.9	37.3	57.5	22.5	133	26	49
125	Iraq	2,254	2,252	45.2	-25.9	86.3	100.2	90	..	..
126	Morocco	2,404	3,244	85.8	32.0	65.1	51.6	95	17	38
Low Human Development										
142	Sudan	2,167	2,391	73.5	20.5	72.5	..	146	17	60
148	Yemen	1,763	2,041	54.3	6.5	38.2	31.8	121	..	..
157	Djibouti	1,842	1,920	39.0	-7.1	53.9	46.1	83	..	..
All developing countries		2,129	2,628	66.4	30.1	57.7	92.9	132	..	..
Arab States		2,206	2,907	77.4	27.2	70.2	51.1	120	..	..
World		2,336	2,751	73.5	26.5	70.4	79.0	124	..	..

Source: UNDP, Human Development Report 1999

Annex Table V

Education

HDI rank 1997		Adult literacy rate (%) 1997	Net enrolment ratio		Children not reaching grade 5 (%) 1992-95
			Primary (as % of relevant age group) 1997	Secondary (as % of relevant age group) 1997	
High Human Development					
35	Kuwait	80.4	65.2	63.2	..
37	Bahrain	86.2	98.2	87.2	1
41	Qatar	80.0	83.3	73.3	1
43	United Arab Emirates	74.8	82.0	77.8	2
Medium Human Development					
65	Libyan Arab Jamahiriya	76.5	99.9	99.9	..
69	Lebanon	84.4	76.1	..	..
78	Saudi Arabia	73.4	60.1	58.7	11
89	Oman	67.1	67.7	66.6	4
94	Jordan	87.2	..	..	2
102	Tunisia	67.0	99.9	74.3	9
109	Algeria	60.3	96.0	68.5	6
111	Syrian Arab Republic	71.6	94.7	42.3	6
120	Egypt	52.7	95.2	75.1	..
125	Iraq	..	74.6	42.9	..
126	Morocco	45.9	76.6	37.7	22
Low Human Development					
142	Sudan	53.3	..	..	..
148	Yemen	42.5	..	..	..
157	Djibouti	48.3	31.9	19.6	21
All developing countries		..	85.7	60.4	22
Arab States		..	86.4	61.7	10
World		..	87.6	65.4	..

Annex Table VI

Resource Use

HDI rank		Public education expenditure									
		Public expenditure on education (as % of GNP)		As % of GNP 1993-96	Primary and secondary (as % of all levels)			Public expenditure on health		Military expenditure (as % of GDP)	
		1985	1996		As % of total government expenditure 1993-96	Higher 1993-96	As % of GNP 1960	As % of GDP 1995	1988	1996	
1997											
	High Human Development										
35	Kuwait	4.9	5.7	5.7	8.9	50.6	29.9	..	3.5	8.2	11.9
37	Bahrain	4.1	..	..	12.8	73.1	..	..	..	5.5	5.4
41	Qatar	4.1	3.4	3.4	..	..	..	..	..	..	..
43	United Arab Emirates	1.7	..	..	16.7	..	..	..	2	6.7	4.5
	Medium Human Development										
65	Libyan Arab Jamahiriya	7.1	..	..	..	..	..	1.3	..	..	..
69	Lebanon	..	2.5	2.5	8.2	68.9	16.2	..	..	..	6.3
78	Saudi Arabia	6.7	..	..	17.0	82.2	17.8	0.6	..	17.6	13.2
89	Oman	4	..	..	17.8	98.8	..	..	..	20.1	13.2
94	Jordan	5.5	7.3	7.3	19.8	64.5	33.0	0.6	3.7	11.4	8.8
102	Tunisia	5.8	6.7	6.7	17.4	79.7	18.5	1.6	..	2.7	1.8
109	Algeria	8.5	5.2	5.2	16.4	95.3	..	1.2	..	1.9	3.4
111	Syrian Arab Republic	6.1	4.2	4.2	13.6	71.7	25.9	0.4	..	7.9	6.7
120	Egypt	6.3	..	..	..	66.7	33.3	0.6	..	4.5	..
125	Iraq	4	..	..	..	..	..	1	1.7	..	..
126	Morocco	6.3	5.3	5.3	24.9	83.4	16.5	1	..	4.1	3.9
	Low Human Development										
142	Sudan	..	..	..	9.0	69.8	21.1	1	..	2	1.6
148	Yemen	..	6.1	6.1	20.8	..	..	..	1	..	..
157	Djibouti	2.7	..	..	..	..	..	..	..	..	..
	All developing countries	3.9	3.6	3.6	14.8	..	..	0.9	1.8	3.1	2.4
	Arab States	5.9	..	..	15.8	..	..	1	..	8.2	..
	World	4.9	4.8	4.8	12.7	..	..	..	5.5	4	2.4

Source: UNDP, Human Development Report 1999

Annex Table VII

Gender-Related Development Index

	Gender-related development index (GDI) rank	GDI Value	Life expectancy at birth		Adult literacy rate (%)		Combined first, second and third-level gross		HDI rank minus GDI rank (a)	
			Female	Male	Female	Male	Female	Male		
High Human Development										
Kuwait	35	0.825	78.2	74.1	77.5	83.1	59	56	-1	
Bahrain	38	0.813	75.3	71.1	80.7	89.9	84	79	-2	
Qatar	41	0.796	75.4	70	81.2	79.6	74	69	-2	
United Arab Emirates	45	0.79	76.5	73.9	76.8	73.9	72	66	-4	
Medium Human Development										
Libyan Arab Jamahiriya	68	0.732	72.2	68.3	62.9	88.7	92	92	-9	
Lebanon	66	0.734	71.1	68.1	78.3	91.2	77	76	-4	
Saudi Arabia	78	0.703	73.4	69.9	62.5	81	53	58	-9	
Oman	85	0.686	73.3	68.9	55	76.9	57	60	-8	
Jordan	..	..	71.5	68.9	81.8	92.2	..	..	..
Tunisia	87	0.681	70.7	68.4	55.8	78.1	68	72	-2	
Algeria	93	0.642	70.3	67.5	47.7	72.7	64	71	-1	
Syrian Arab Republic	95	0.64	71.2	66.7	56.5	86.5	56	63	-1	
Egypt	103	0.603	67.9	64.7	40.5	64.7	66	77	-2	
Iraq	..	..	63.9	60.9	..	..	44	57	..
Morocco	106	0.565	68.5	54.8	32.7	59.3	42	55	-2	
Low Human Development										
Sudan	117	0.453	56.4	53.6	41.3	65.4	31	37	0	
Yemen	128	0.408	58.4	57.4	21	64.2	27	70	-6	
Djibouti	..	..	52	48.7	35	62.2	17	24	..
All developing countries	..	0.360	66.1	63.0	62.9	80.0	55	64	64	..
Arab States	..	0.609	67.1	64.2	46.4	70.6	54	64
World	..	0.700	68.9	64.7	71.1	84.3	60	67

Source: UNDP, Human Development Report 1999

Annex Table VIII

Gender Empowerment Measure

	Gender Empowerment Measures (GEM)		Seats in Parliament held by women (as % of total)	Female administrators and managers (as % of total)	Female professional and technical workers (as % of total)	Women's real GDP per capita (PPP\$)
	Rank	Value				
High Human Development						
Kuwait	72	0.355	0.0	5.2	36.8	13,481
Bahrain	..	..	..	..	..	5,512
Qatar	..	..	..	..	..	5,193
United Arab Emirates	96	0.239	0.0	1.6	25.1	4,544
Medium Human Development						
Libyan Arab Jamahiriya	..	..	..	..	..	2,373
Lebanon	..	..	2.3	..	..	2,793
Saudi Arabia	..	..	..	..	..	2,284
Oman	..	..	..	..	..	2,339
Jordan	98	0.220	2.5	4.6	28.7	1,429
Tunisia	75	0.353	7.4	12.7	35.6	2,742
Algeria	92	0.245	3.8	5.9	27.6	1,896
Syrian Arab Republic	81	0.317	10.4	2.9	37.0	1,397
Egypt	86	0.275	2.0	16.4	28.4	1,800
Iraq	..	..	6.4	..	..	970
Morocco	84	0.301	0.7	25.6	31.3	1,909
Low Human Development						
Sudan	97	0.227	5.3	2.4	28.8	741
Yemen	..	..	0.7	..	..	579
Djibouti	..	..	0.0	..	..	..
All developing countries		..	10.0	..	..	2,088
Arab States		..	3.7	..	..	1,730
World		..	12.0	..	..	4,523