Economic and Social Commission for Western Asia

Poverty in the Arab Region

IA-EGM on the Third UN Poverty Decade (10-12 May 2023, Addis Ababa)

Khalid Abu-Ismail
Senior Economist
Poverty, Inequality and Human Development

UNITED NATIONS
الاسكوا
ESCWA

Shared Prosperity **Dignified Life**

Second Arab Multidimensional Poverty Report: Process matters

League of Arab States

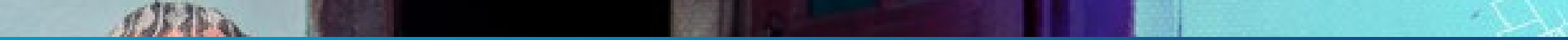
OPHI

UNDP

UN-ESCWA

UNICEF

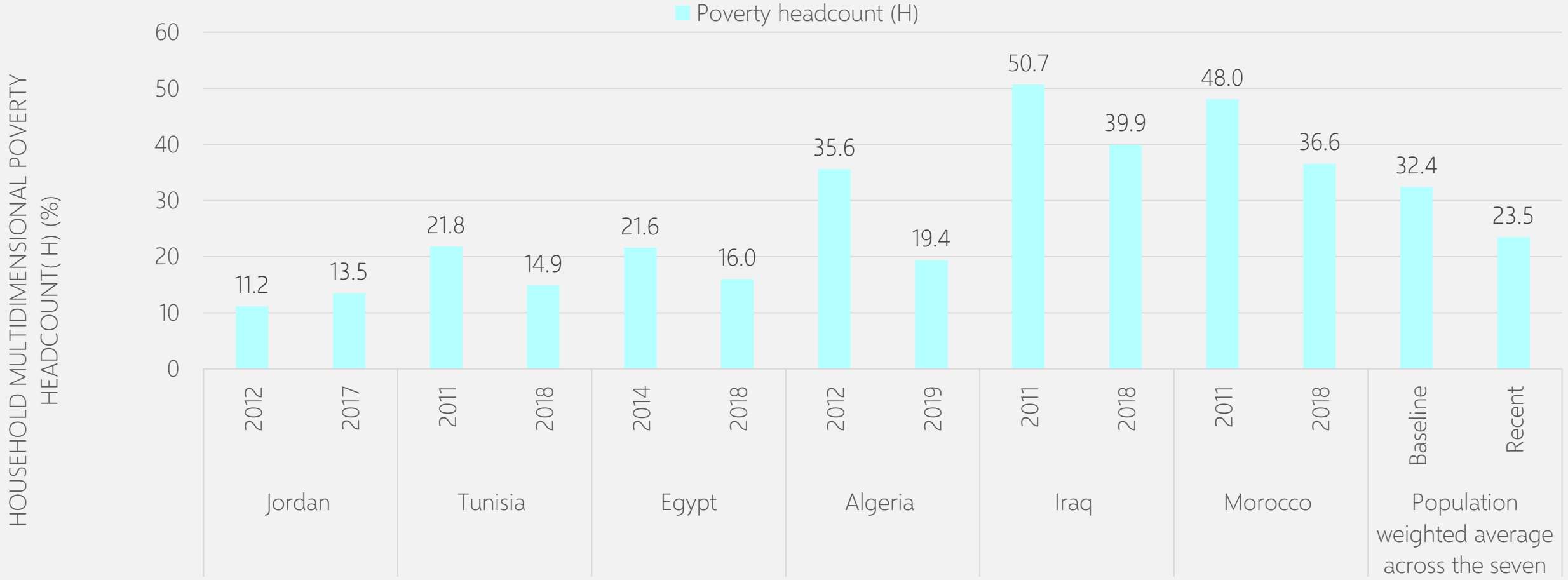
UNFPA



The Revised Arab MPI

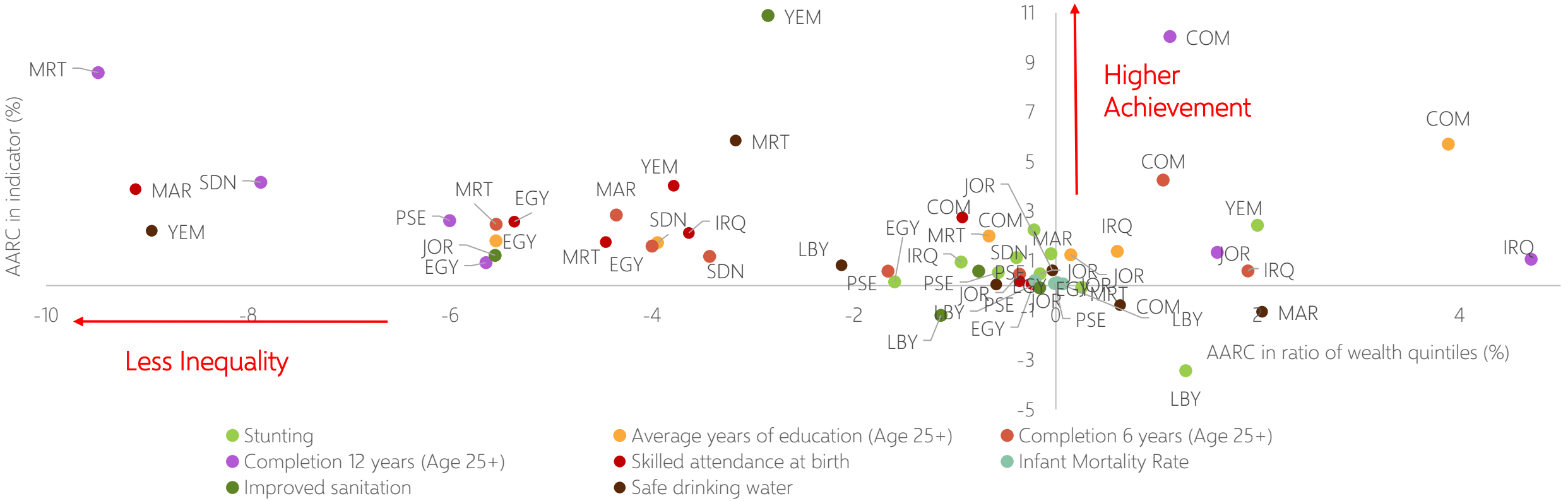
	A household is considered multidimensionally poor if its total weighted deprivation score is greater than 20 per cent.		
Pillar and weight assigned	Dimension	Indicator and weight assigned	Household deprived if...
Social capability (non-material) well-being (weight=50%)	Health and nutrition (weight = 50/2)	Child mortality (weight = 50/6)	Any child in the household died before the age of 5 years during the past five years.
		Child nutrition (weight = 50/6)	Any child (0–59 months) is stunted (height for age < -2) or any child is underweight (weight for age < -2).
		Early pregnancy (weight = 50/6)	Any women aged 15–24 years in the household gave birth before the age of 18 years.
	Education (weight = 50/2)	School attendance (weight = 50/6)	Any child in the household aged 6–18 years is not attending school and has not completed secondary education.
		Age-schooling gap (weight = 50/6)	Any child aged 8–18 years is enrolled at two or more grade levels below the appropriate grade for his/her age.
		Adult educational attainment (19+) (weight=50/6)	All household members aged 19 years or older have not completed secondary education.
Living standard (material) well-being (weight= 50%)	Housing (weight = 50/3)	Overcrowding (weight = 50/6)	The household has three or more persons aged 10 years or older per sleeping room.
		Type of dwelling (weight = 50/6)	The housing situation fits at least one of the following conditions: (i) the home is a place other than a stand-alone house or apartment, (ii) it has a non-permanent floor or (iii) it has a non-permanent roof.[a]
	Access to services (weight = 50/3)	Improved drinking water (weight = 50/9)	The household does not have any of the following sources: piped water into a dwelling, piped water into a yard or bottled water.
		Improved sanitation (weight = 50/9)	The household does not have access to improved sanitation,[b] or sanitation is improved but shared with other households.
		Electricity (weight = 50/9)	The household does not have access to electricity.
	Assets (weight = 50/3)	Communication assets (weight = 50/9)	The household has no phone (mobile or landline), television or computer.
		Mobility assets (weight = 50/9)	The household has no car, truck, motorbike or bicycle.
		Livelihood assets (weight = 50/9)	Conditional on the availability of electricity, the household has no refrigerator, washer, any type of heater

On a positive note: multidimensional poverty on declining trend in the region



What drives progress on MPI?
Improvements in basic indicators and closing gaps between rich and poor

Average annual rate of change (AARC) for selected indicators and their respective wealth ratio

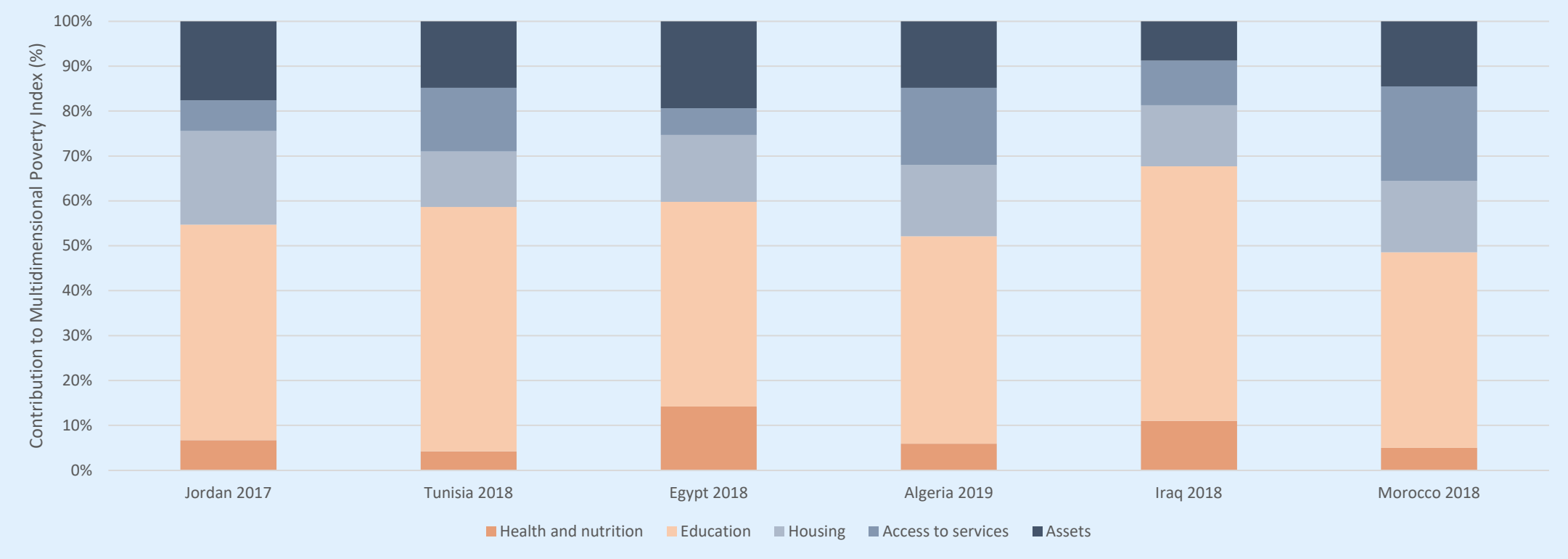


- All indicators are measured as achievements; so, the wealth ratio measures richest to poorest quintile.
- Overall, Arab countries have had human capital gains while also reducing inequality.

Source: ESCWA's calculations based on household surveys
Note that for all indicators, we set -10 and 10% as lower and upper bounds for the average annual rate of changes (AARC) in the ratio of richest to poorest quintiles .
Generally, AARC values for all countries fall within this range, except for the following cases. Palestine and Sudan for safe drinking water. Mauritania and Morocco for improved sanitation.

Education is the lead contribution to household poverty in middle-income countries

Contribution of dimensions to multidimensional poverty in Arab middle-income countries



Arab LDCs have the highest poverty challenge

- **Multidimensional poverty is prevalent in Arab LDCs**: Updating the MPI in Arab LDCs and Syria is challenging due to data limitations, but as per most recent surveys**, the Global MPI** (more relevant in these countries, since it captures more acute degrees of poverty) reveals high incidence of multidimensional poverty. Major contributions to multidimensional poverty come from deprivations in indicators related to standards of living. A significant share of the non-poor is also deprived in many specific indicators, particularly related to the standard of living.

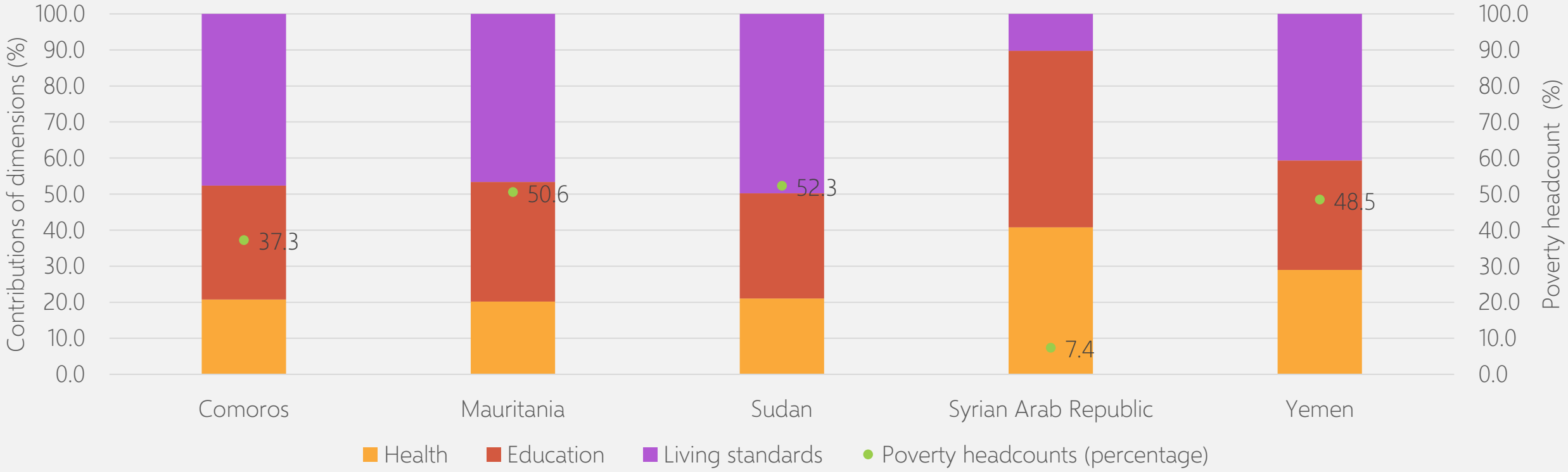
- **The case of Mauritania:** When the revised Arab MPI, which captures moderate levels of poverty, was applied to the case of Mauritania (2015), the assessment revealed that poverty affected 92 per cent of the population in 2011, but this headcount declined to 88 per cent in 2015.

MPI, poverty headcount, intensity and vulnerability in Arab LDCs

Country	MPI	Headcount ratio (percentage)	Intensity of deprivation (percentage)	Population vulnerable to poverty (percentage)
Comoros (2012)	0.181	37.3	48.5	22.3
Mauritania (2015)	0.261	50.6	51.5	18.6
Sudan (2014)	0.279	52.3	53.4	17.7
Syrian Arab Republic (2009)	0.029	7.4	38.9	7.8
Yemen (2013)	0.245	48.5	50.6	22.3
All Arab States	0.038	14.5	48.7	8.9

In LDCs, poverty is mainly driven by deprivations in standards of living

Contribution of dimensions to multidimensional poverty in Syria (2006) and Arab LDCs and poverty headcount



Income Poverty

Khalid Abu-Ismail, Hassan Hamieh, Vladimir Hlasny, and Jinane Jouni

Counting the world's poor:
Back to Engel's law

UNITED NATIONS
الاسكوا
ESCWA

Shared Prosperity Dignified Life

Motivation

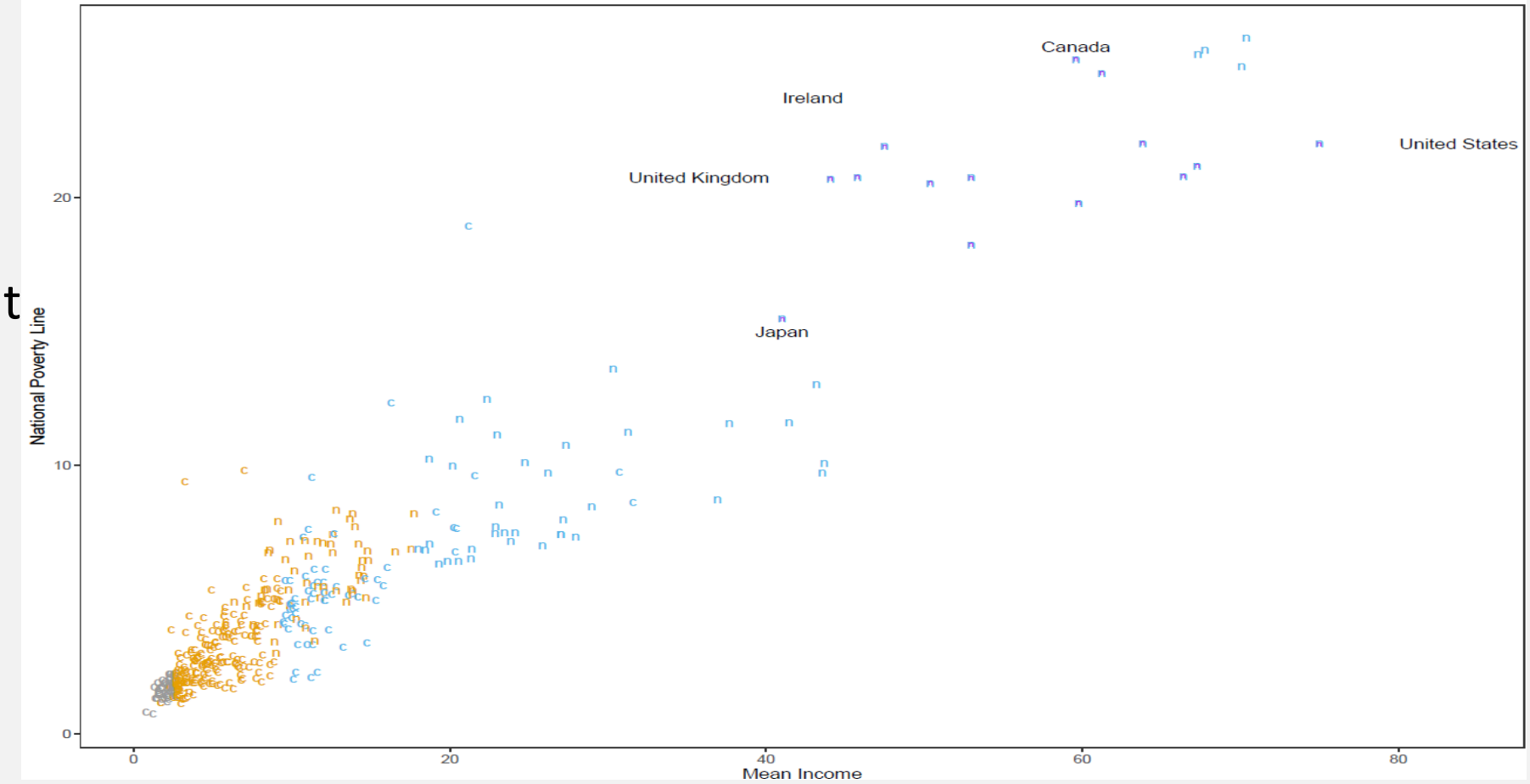
To propose a new method that maintains **comparability across countries and over time** in counting the poor and is consistent with **behavioral tendencies** of households as informed by classical economic theory.

To this end we propose an ESCWA **Concave Poverty Line (CPL)** that is grounded in theory and backed by empirical evidence on the **relation between absolute national poverty lines and income**.

First re-examine the relationship between mean or median income/consumption and NPLs.

- Elasticity of the poverty line to the mean/median income is thus positive across a wide group of countries and contexts but it is clear that the relationship is non- linear.
- For countries with higher levels of mean income, elasticity of the poverty line is lower.

National poverty lines vs. mean income (per day in PPPs)



Source: Authors' calculations.

Results (1)

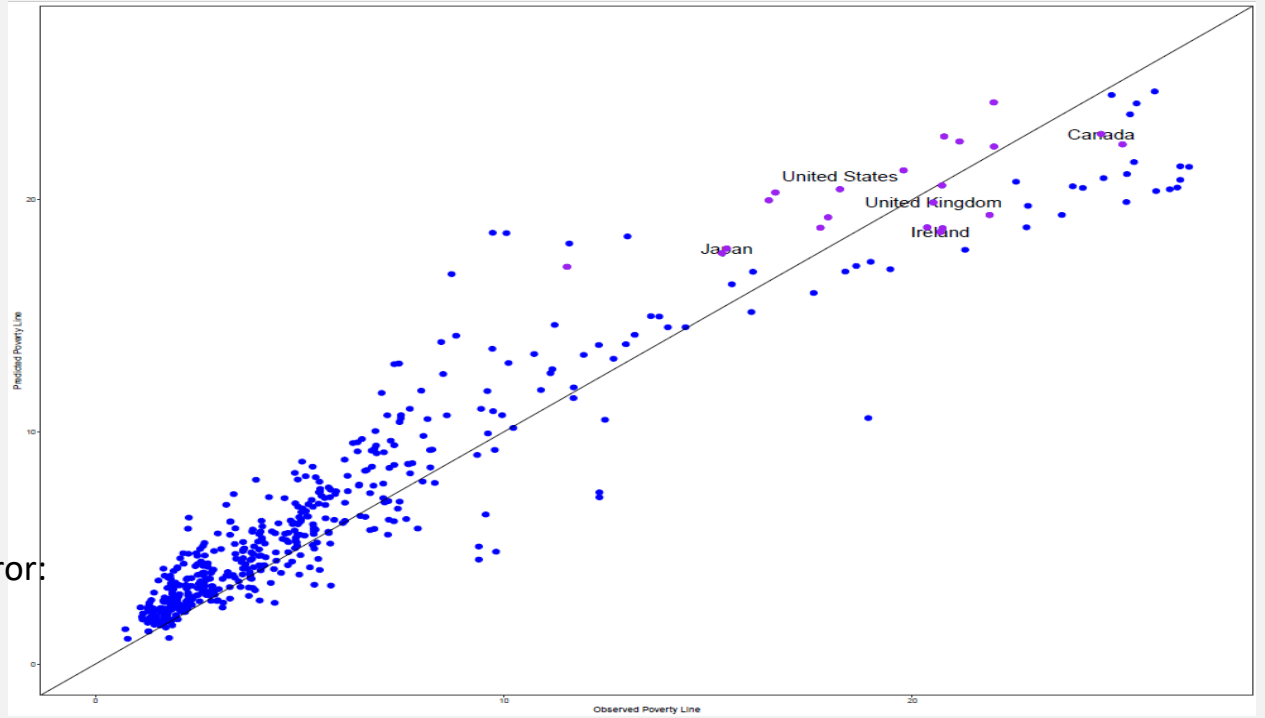
Estimating the log-log regression model in equation 9 yields the following results, with all variables significant at the 5% level:

$$log\ z_{i,t}^{u} = \alpha_0 + \beta_1 \log(M_{i,t}) + \beta_2 C_i + \beta_3 D_i + \varepsilon_{i,t}$$

R-Squared: 90.69%. Mean Absolute Error: 55%, Mean Absolute Percentage Error: 33%

Sample size: 428 country-year observations for 144 unique countries with absolute poverty lines

Predicted vs. observed poverty lines



Results (2): higher than average poverty rates for ACs (whichever way you look at it) and one third of World are living in poverty

Table 1. Weighted poverty lines (NPL, SPL and CPL) by region

Region	2020 (countries with observed NPLs)			2020 (all 183 countries)	
	NPL	CPL	SPL	CPL	SPL
Arab region	3.49	3.95	4.13	5.67	7.30
East Asia and the Pacific	5.01	7.55	9.39	7.55	9.39
Europe and Central Asia	14.28	12.28	16.78	12.28	16.78
Latin America and the Caribbean	6.92	8.25	8.77	8.25	8.77
North America	22.27	22.29	36.70	22.29	36.70
South Asia	2.50	3.63	3.72	3.63	3.72
Sub-Saharan Africa	2.06	2.79	2.84	2.79	2.84
World average	6.01	7.07	8.95	7.14	9.09

Source: Authors' estimates.

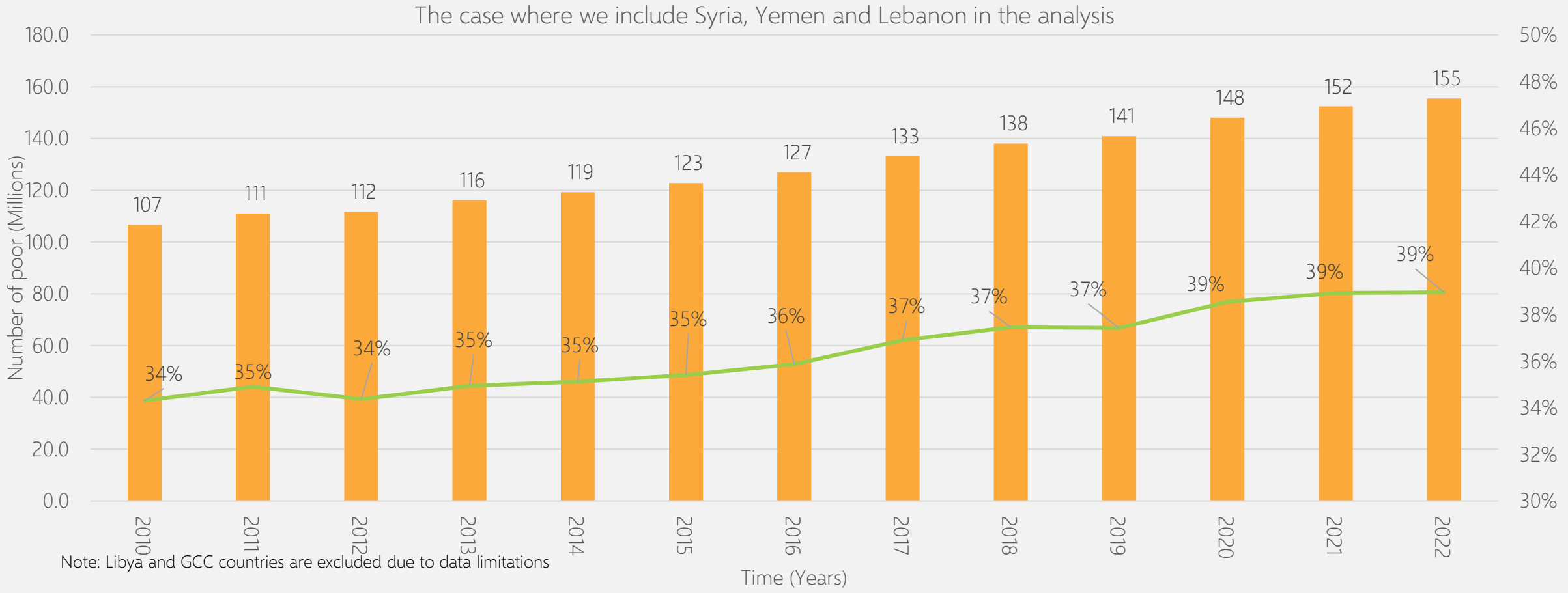
Note: The left panel includes only national-survey observations with official observed NPLs, both absolute or relative. The right panel includes observations without NPLs.

Table 3. Poverty headcounts and ranks by region for SPL, CPL and $1.9, 2020

	Headcount poverty rates (per cent)			Ranks (1 being lowest poverty)		
	$1.9	CPL	SPL	$1.9	CPL	SPL
Arab region	10.05	36.25	38.19	6	4	4
East Asia and the Pacific	0.73	22.43	29.86	3	3	3
Europe and Central Asia	0.50	14.41	24.19	2	2	1
Latin America and the Caribbean	3.13	40.55	42.54	4	6	6
North America	0.00	13.22	29.23	1	1	2
South Asia	6.27	40.19	40.83	5	5	5
Sub-Saharan Africa	40.39	57.32	57.49	7	7	7
Worldwide	8.25	32.56	37.23			

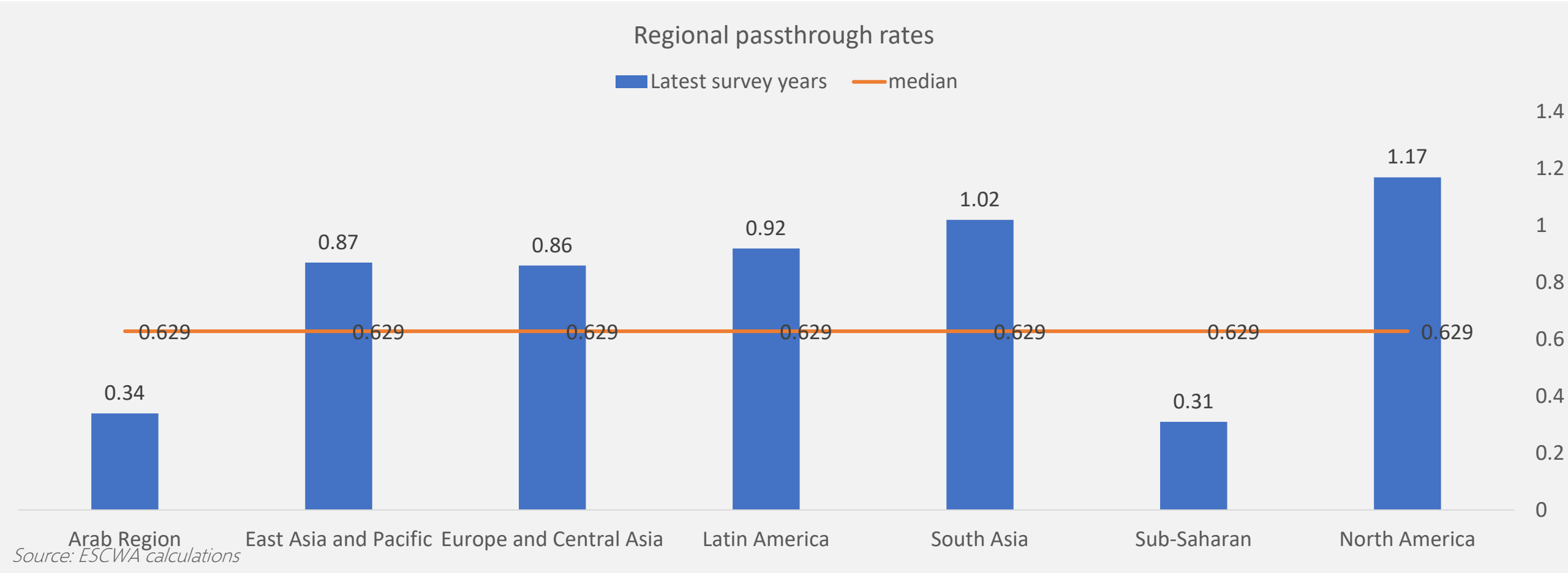
Source: Authors' calculations.

Poverty on the rise in the Arab region from 2010, reaching 39% in 2022 and affecting 155 million people



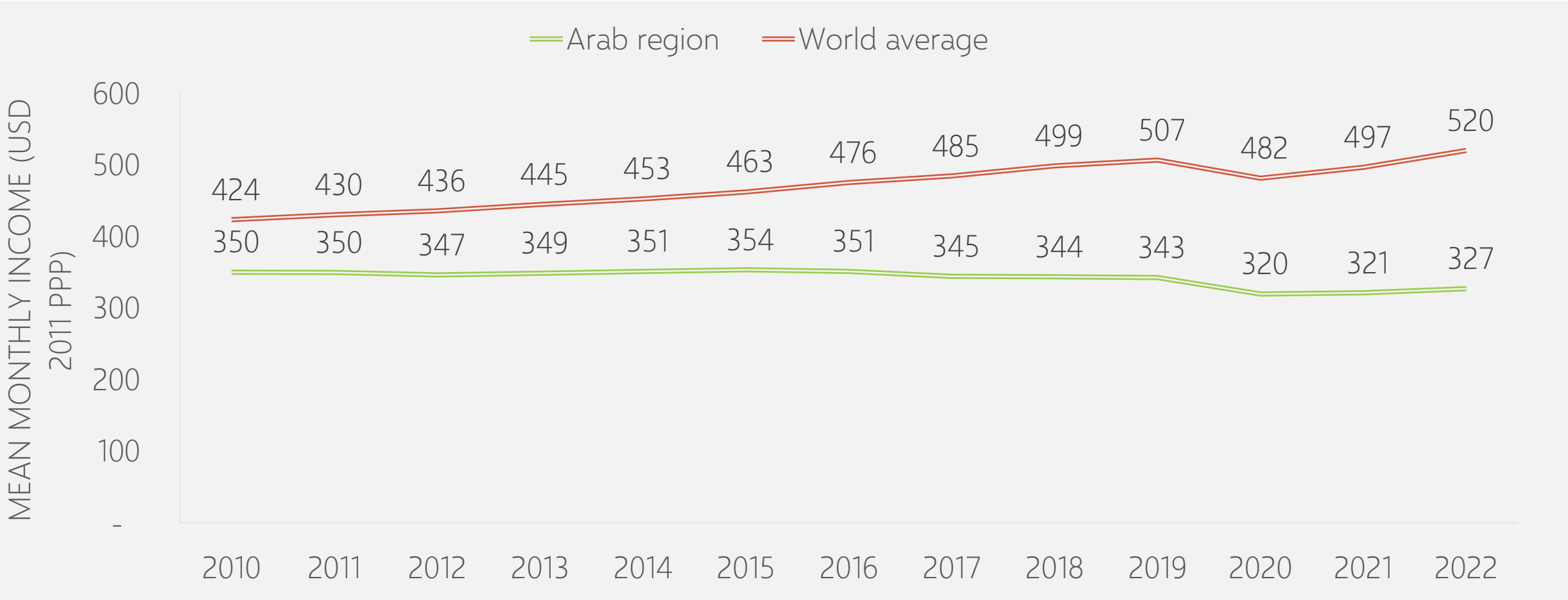
Note: Libya and GCC countries are excluded due to data limitations

Key challenge: growth passthrough from national to household level is very low



Source: ESCWA calculations

End result is declining household income contrasting sharply with GDP growth stories



Why? Weak growth-employment-poverty nexus: growth does create decent jobs, especially in the formal private sector

Most sectors in all countries have an employment elasticity below 1

Employment elasticities in selected Arab States

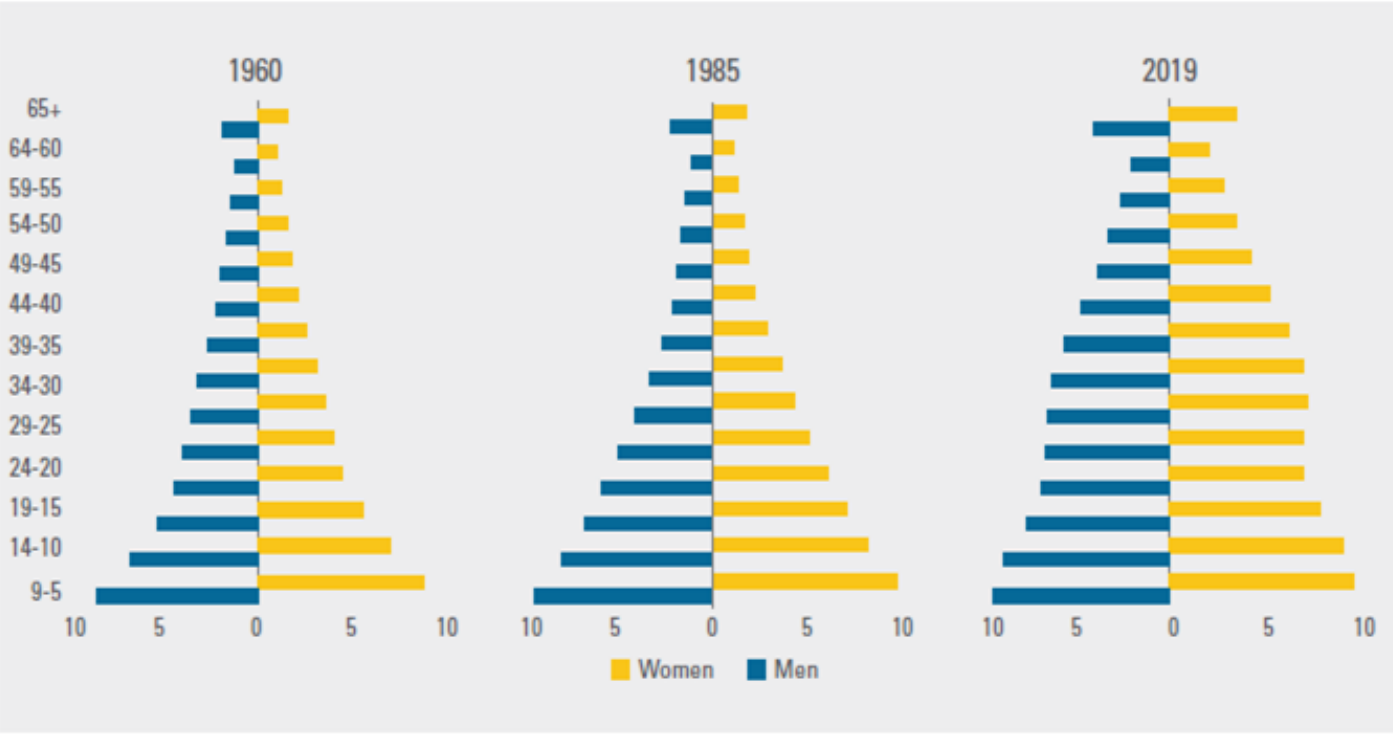
Sector	Egypt 2013	Egypt 2016	Iraq 2011	Jordan 2013	Jordan 2019	Lebanon 2013	Lebanon 2019	Morocco 2013	Morocco 2019	Tunisia 2013	Yemen 2013
Manufacturing	0.48	0.14	-0.2	0.47	0.34	0.36	0.11	0.42	0.89	0.3	0.53
Hotels and restaurants	0.23	0.14*	-0.14	1*	0.9*	0.5*	-1.1	0.39	2.33*	0.4*	-.27*
Transport	0.26	-0.04	-0.02*	-0.13*	0.32*	1.66*	-0.14*	1.2	0.37*	0.16	
Construction	0.05	0.56	-0.23*	-0.52*	0.69*	-0.28*	0.68	0.31	1	-0.22*	
Wholesale and retail	0.25	-0.01	-0.15	0.47	0.43*	0.23	0.19	0.11	0.49	0.31	0.29

Source: ESCWA calculations based on the Enterprise Survey.

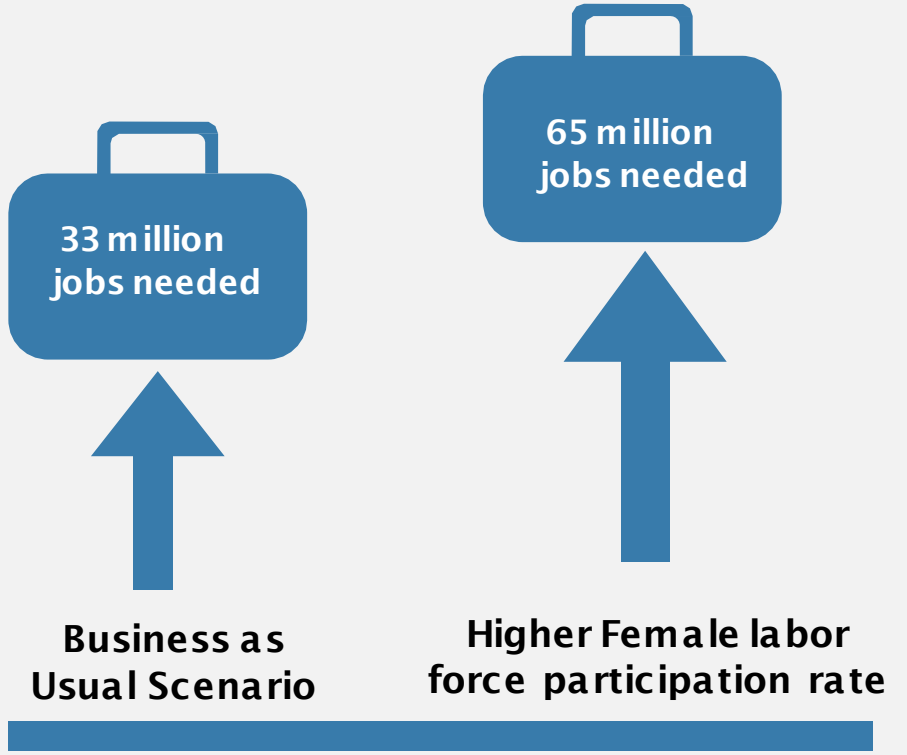
Notes: An asterisk (*) indicates that the number of observations is less than 50.
Highlighted values are elasticities above the country's income bracket peers.

And the big challenge is that our youth bulge is not over (65 million jobs needed from 2019 - 2030)

Demographic structure of Arab States, by age, 1960, 1985 and 2019

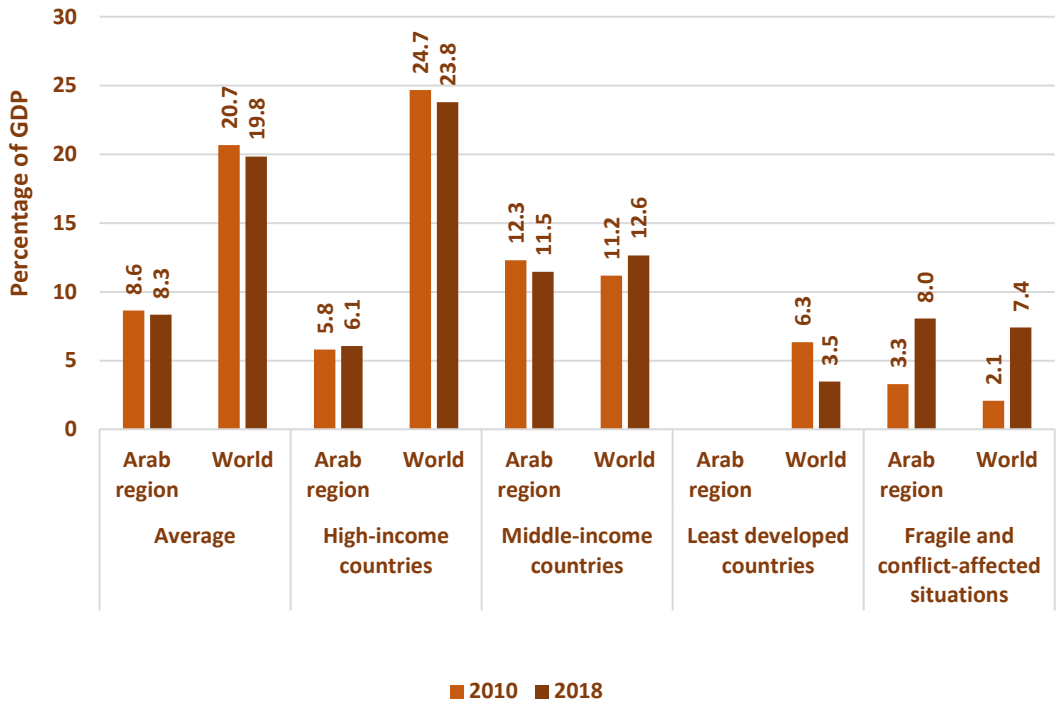


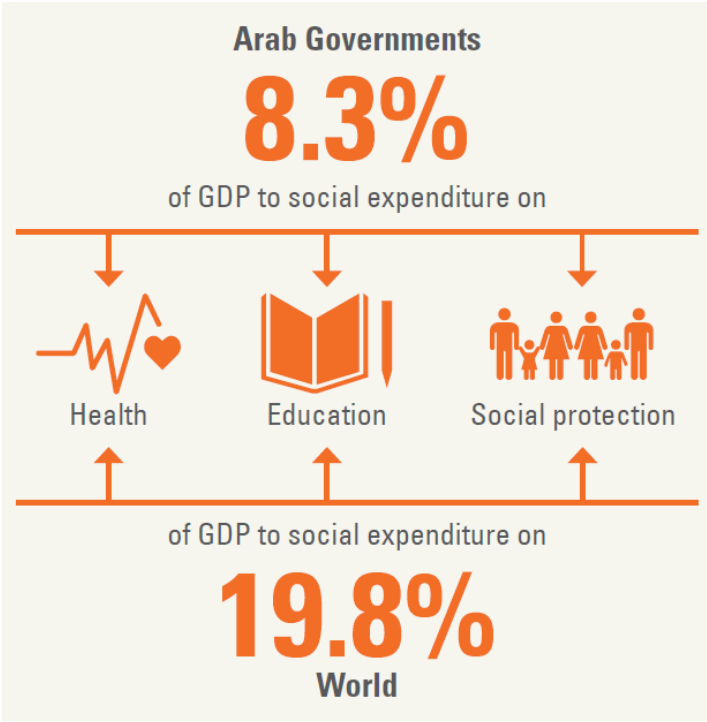
Source: ESCWA calculations based on information from UNCTAD.

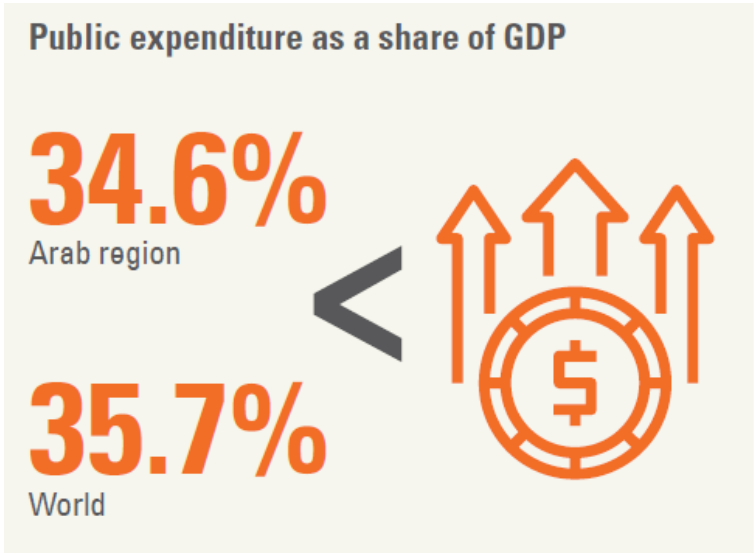


Also rising fiscal deficits and debt payments challenging social expenditure in oil-poor counrties

Public social expenditure as a percentage of GDP, based on health, education and social protection (HES)

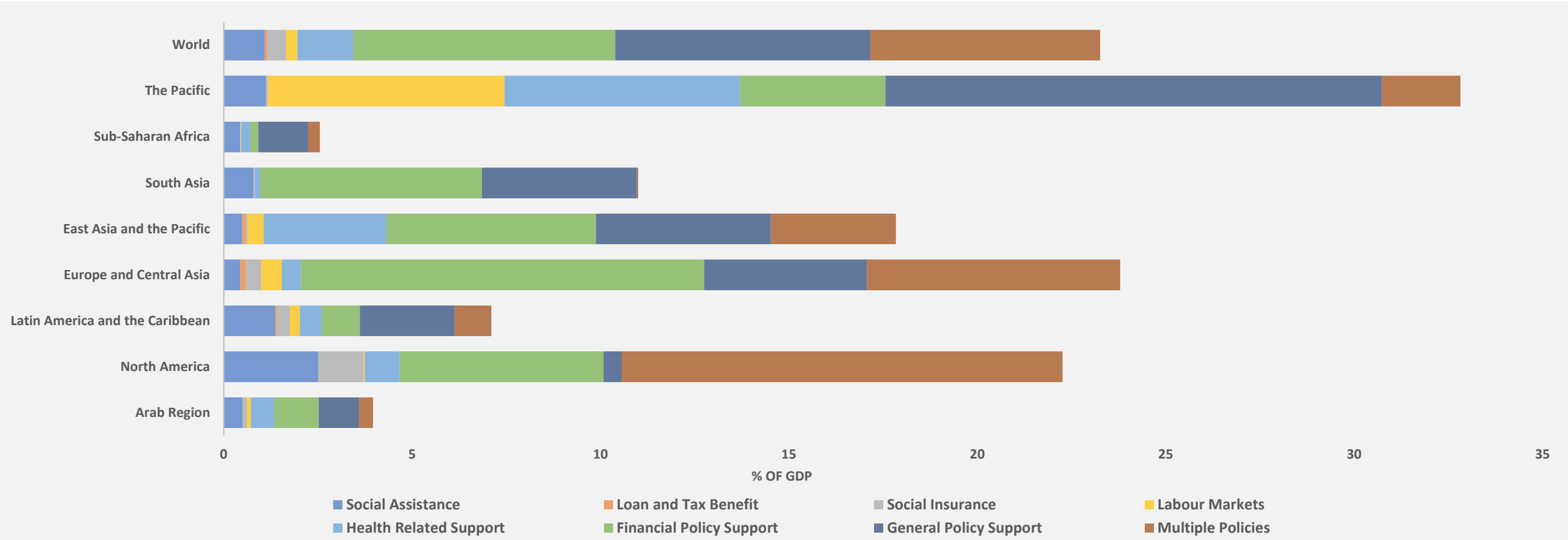






Source: Social Expenditure Monitor for Arab States

This translates into low resilience to shocks and higher out of pocket expenditure on health and education



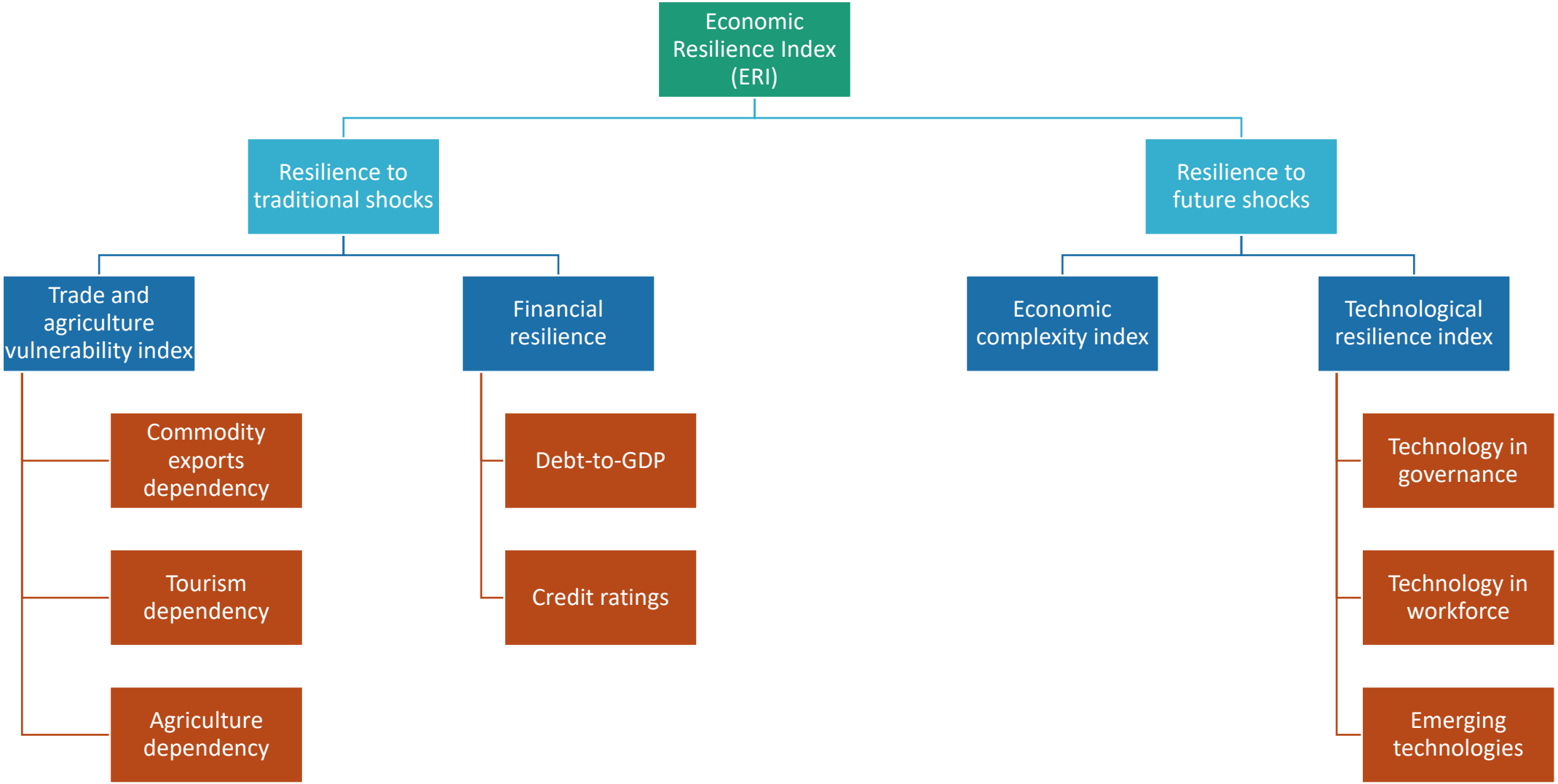
Source: ESCWA COVID-19 Stimulus Tracker

UNITED NATIONS
ESCWA

Shared Prosperity Dignified Life

3. What needs to be done?

Task 1: Improve economic resilience to address income poverty

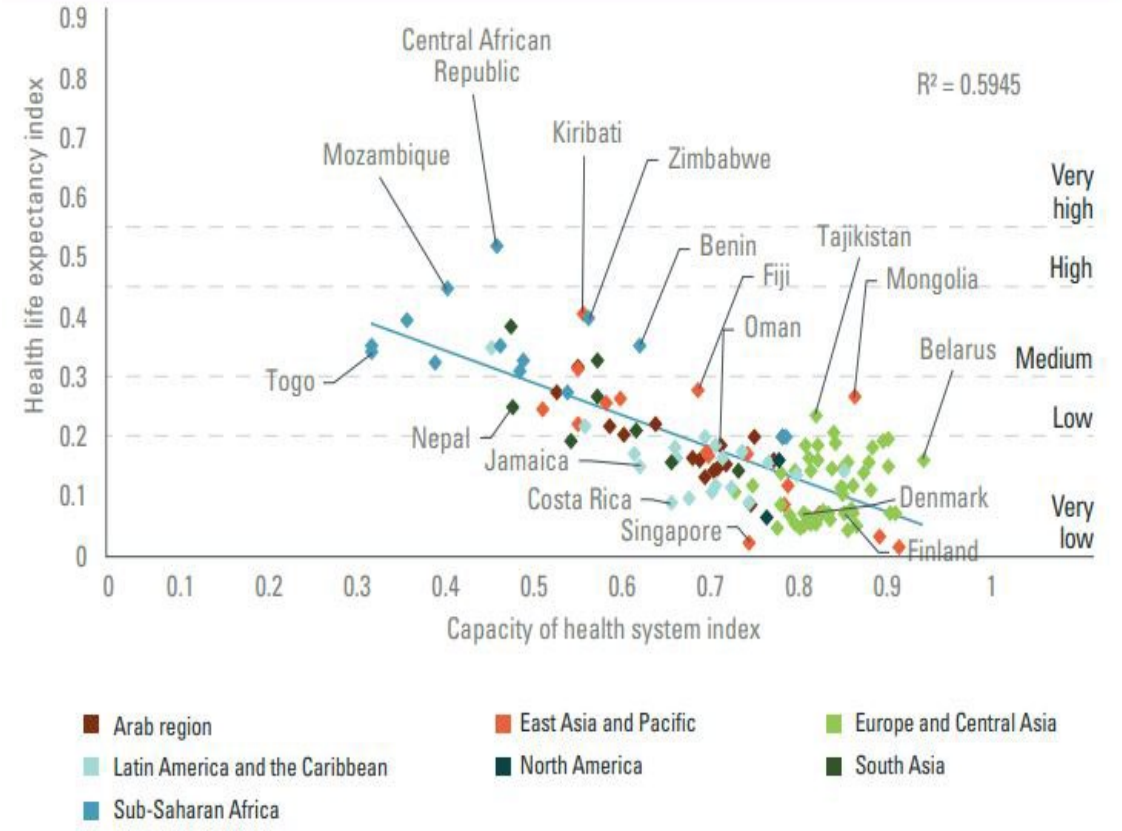


Most Arab countries lose ranks when moving from GNI per capita to the ERI (ERI-GNI per capita) and 8 among the top 20 highest rank losses

Source: ESCWA calculations.

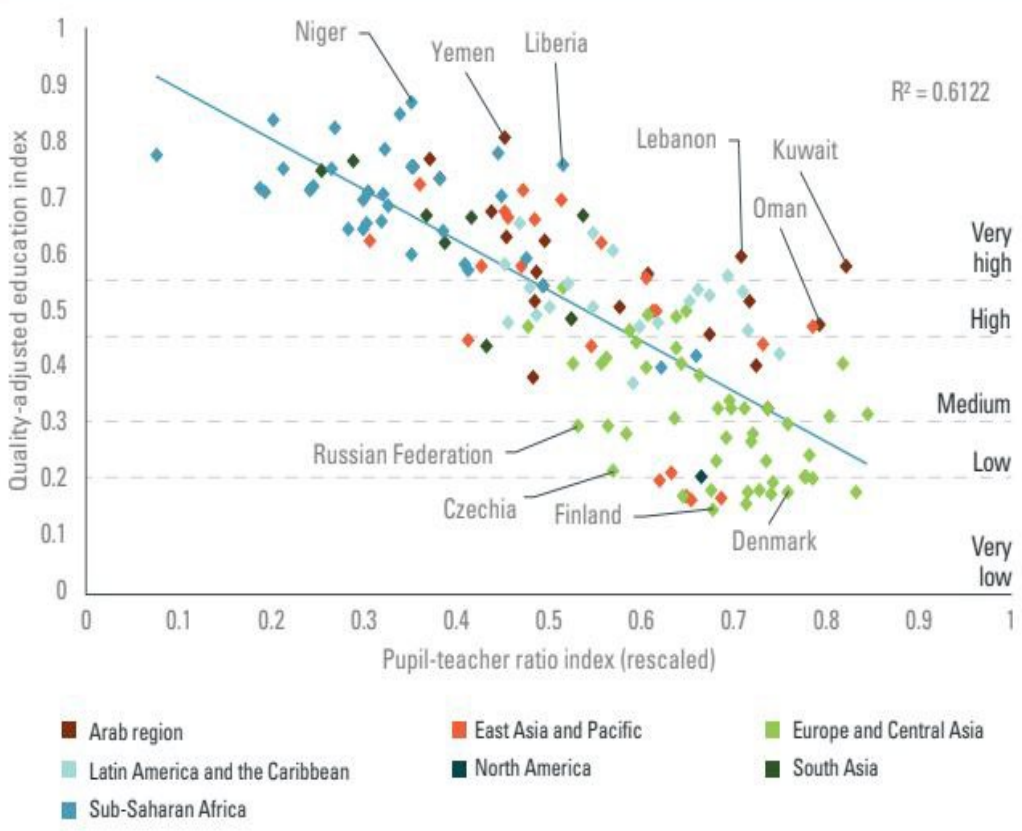
Task 2: Improve health and education sector initial conditions and capacities to influence the MPI

Figure 14. Healthy life expectancy challenge index and capacity of health system index



Source: ESCWA calculations.

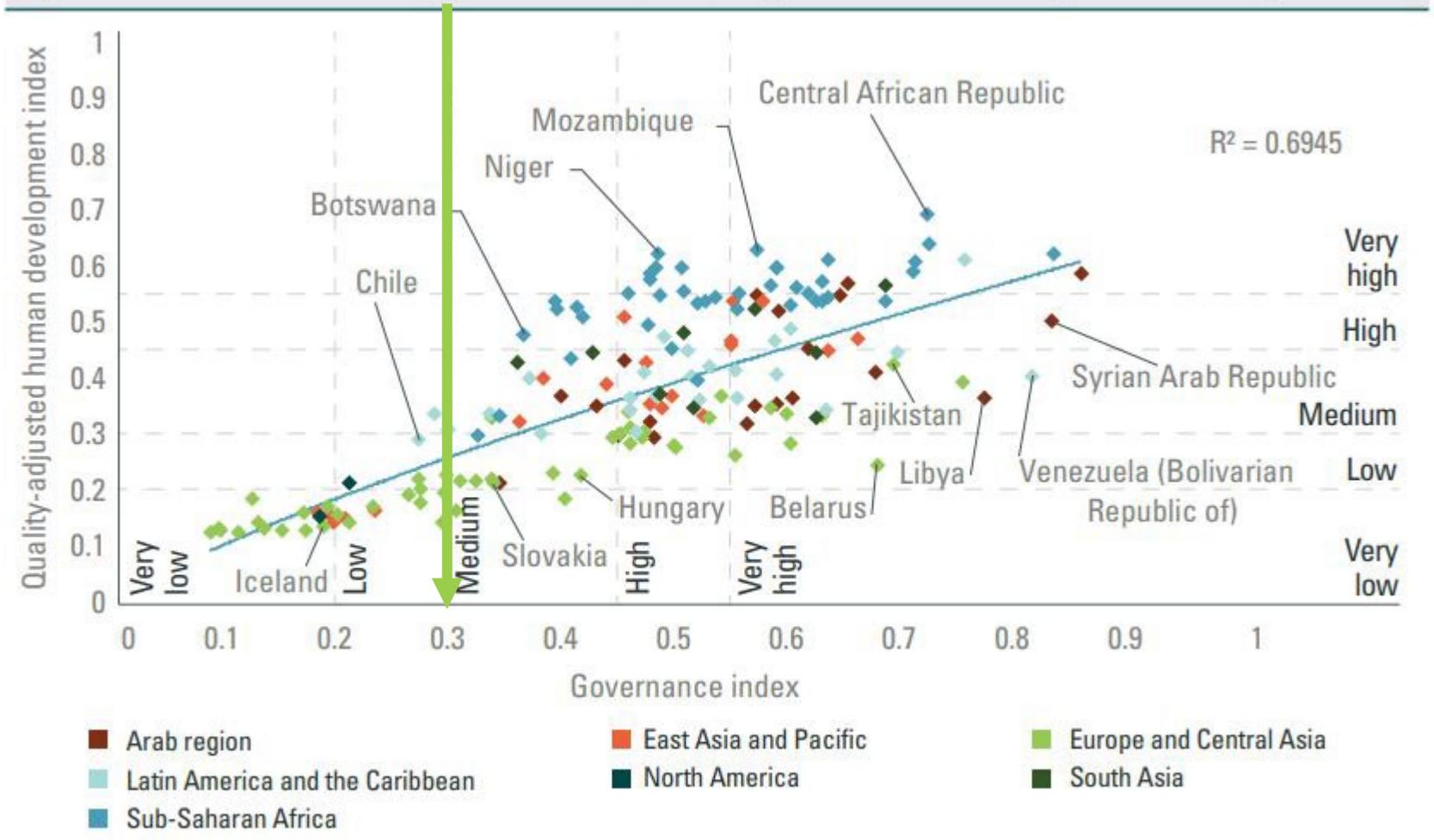
Figure 15. Quality-adjusted education challenge index and pupil-teacher ratio index (rescaled)



Source: ESCWA calculations.

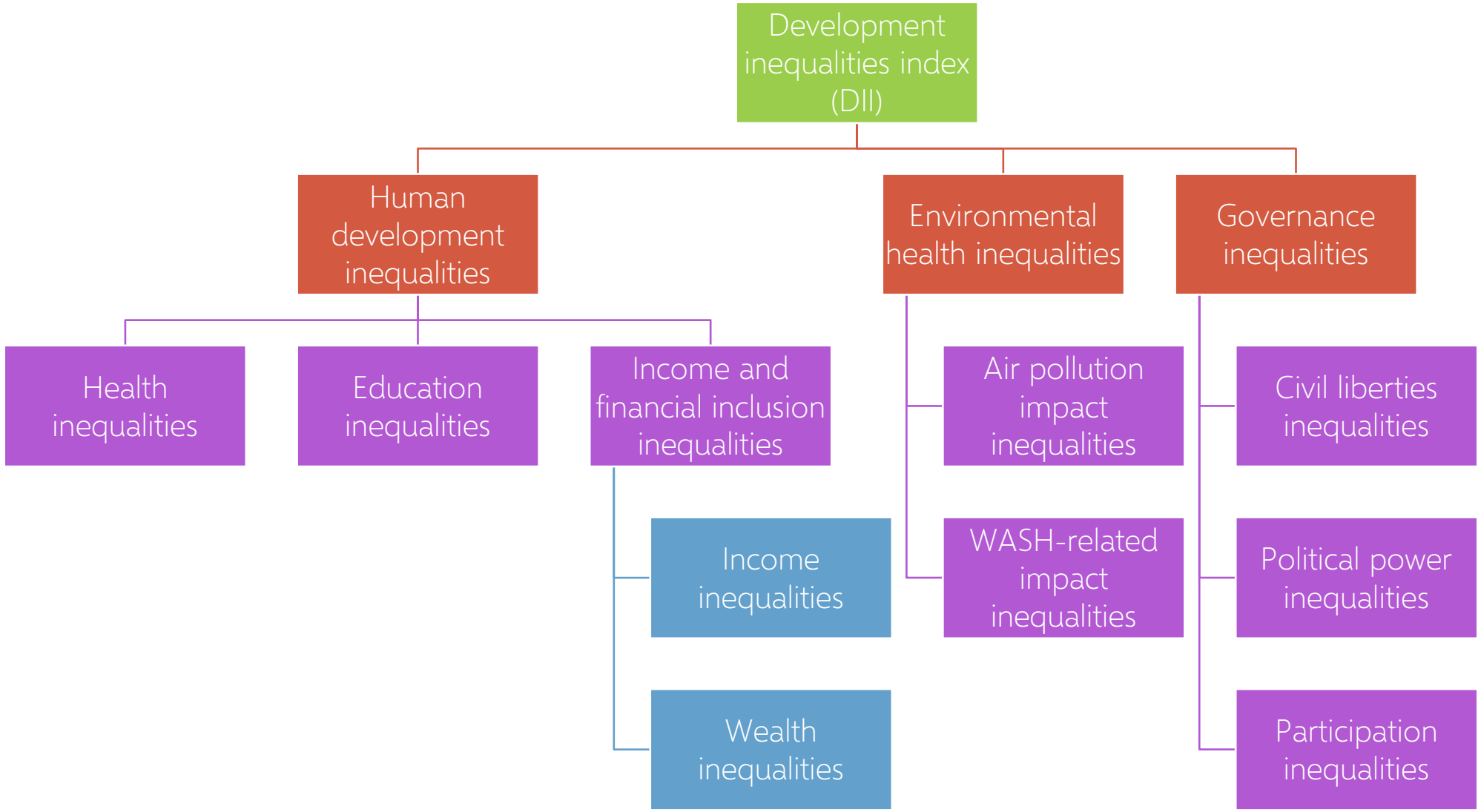
Task 3: Governance improvements to influence both (especially GE)

Figure 23. Governance challenge index and quality-adjusted human development challenge index

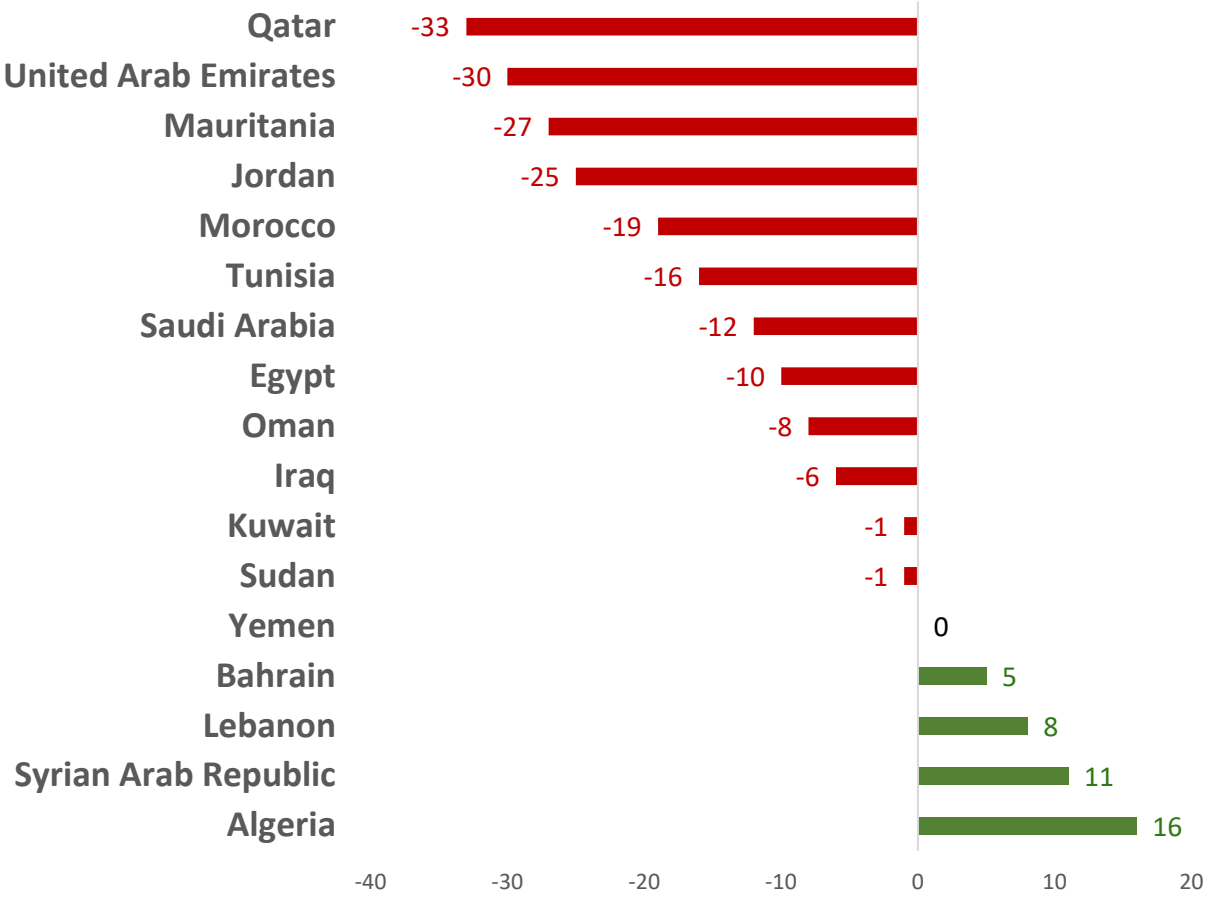


Source: ESCWA calculations.

Last but by no means least Task 4: reduce inequalities in all its forms



Most Arab countries lose ranks when moving from the DCI to the DII (DII-DCI)



Source: ESCWA calculations.