

Policy Frameworks to Accelerate Poverty Reduction Efforts

Economic and Social Commission for Western Asia



UNITED NATIONS

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ESCWA

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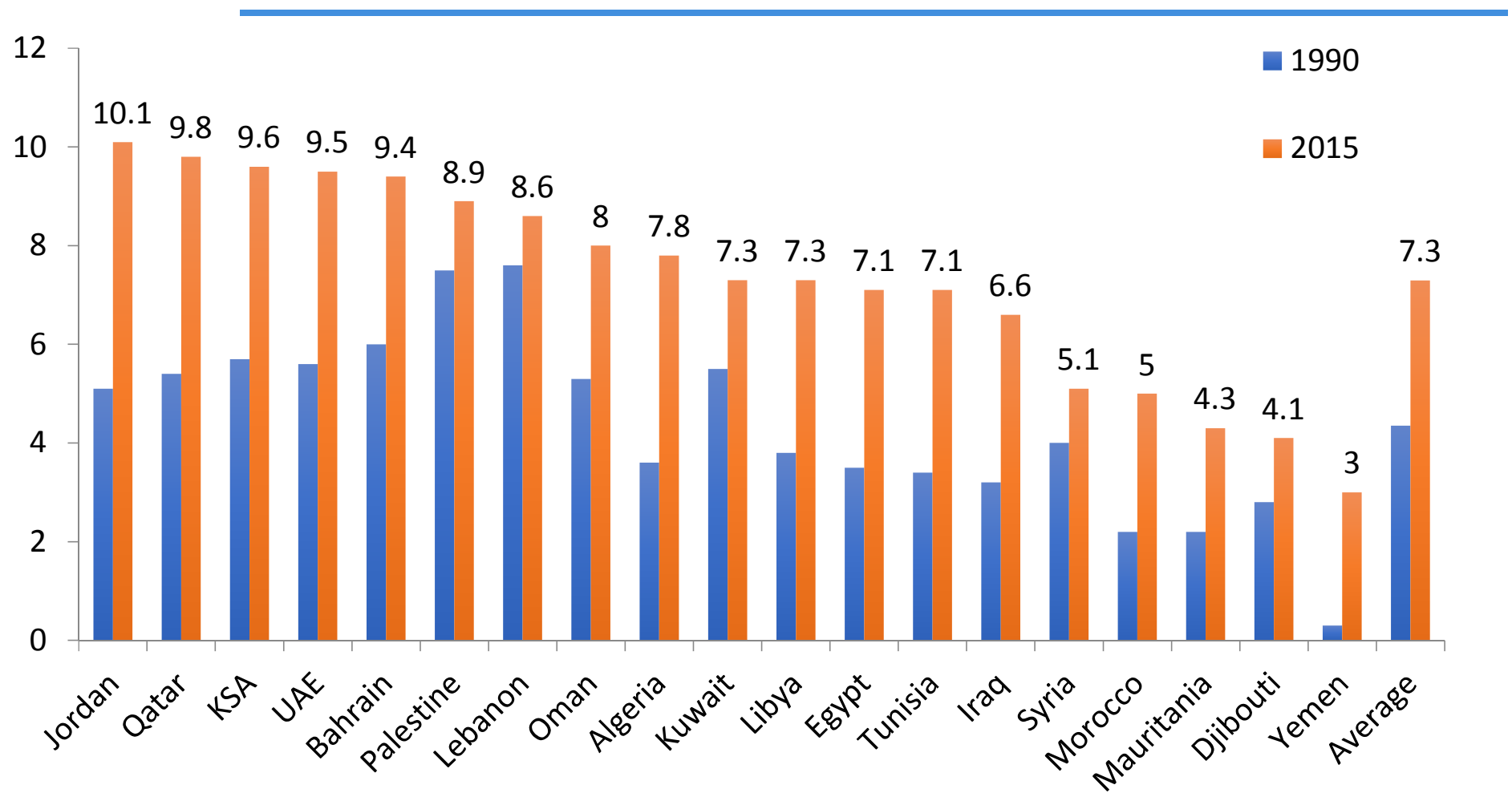
Economic Development and Integration Division

1. Two competing narratives

Pillars of conventional wisdom on Arab development (at least till 2010)

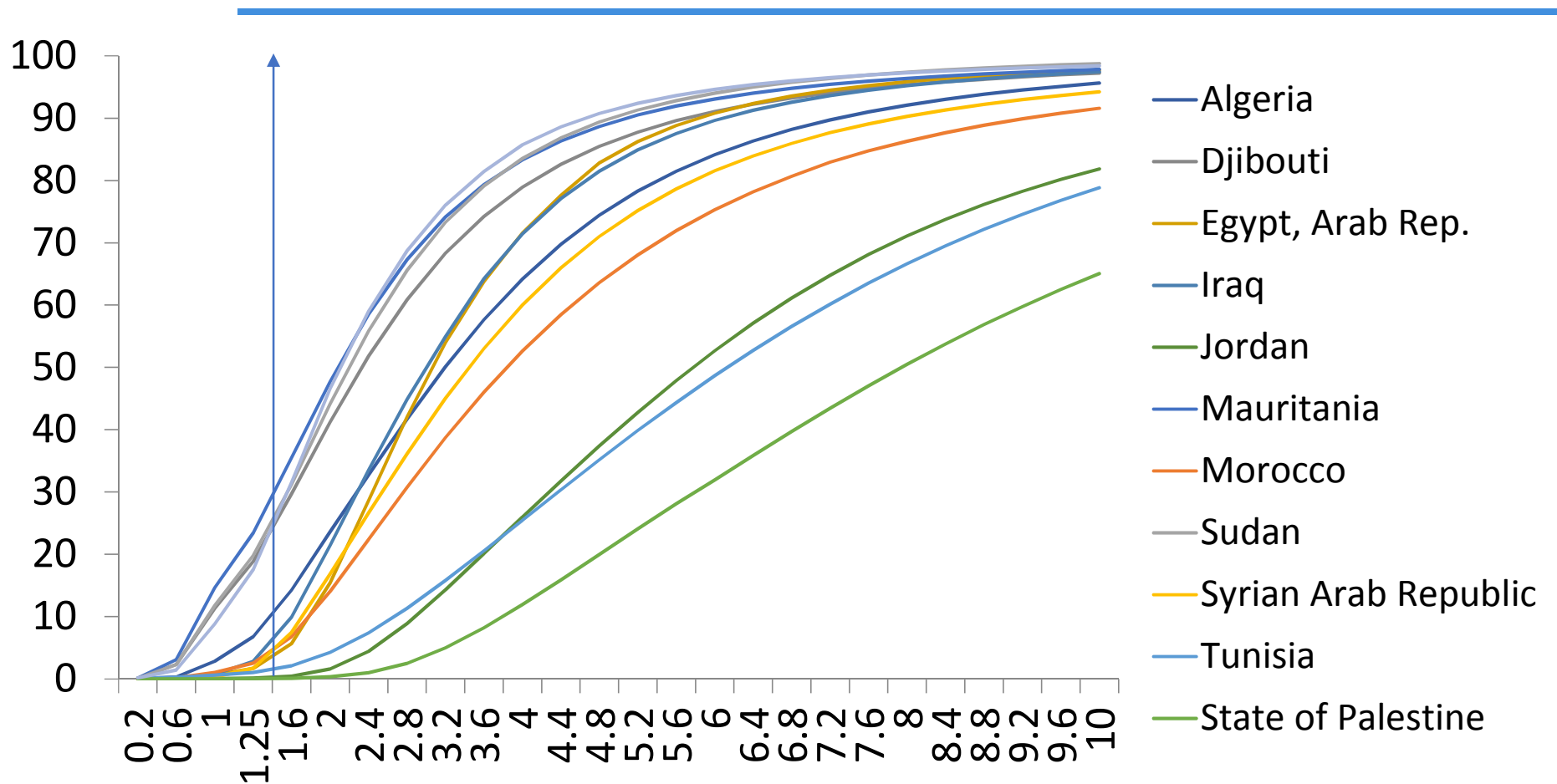
1. Growth was decent for most countries (4-5% in 2000s)
2. Extreme poverty was low (MPI and HC below 1.9\$) and declining from 1990
3. Inequality low to medium (0.33 Gini) and stable from 1990.
4. Fiscal and monetary indicators were stable and outlook positive (IMF/WB regional outlook, 2010)
5. Employment growth was fastest in the world and unemployment declined significantly from 1990-2010.
6. Boom in physical infrastructure in GCC and middle income countries (Egypt, Morocco, Syria).

Much of the human development progress was also driven by gains in education

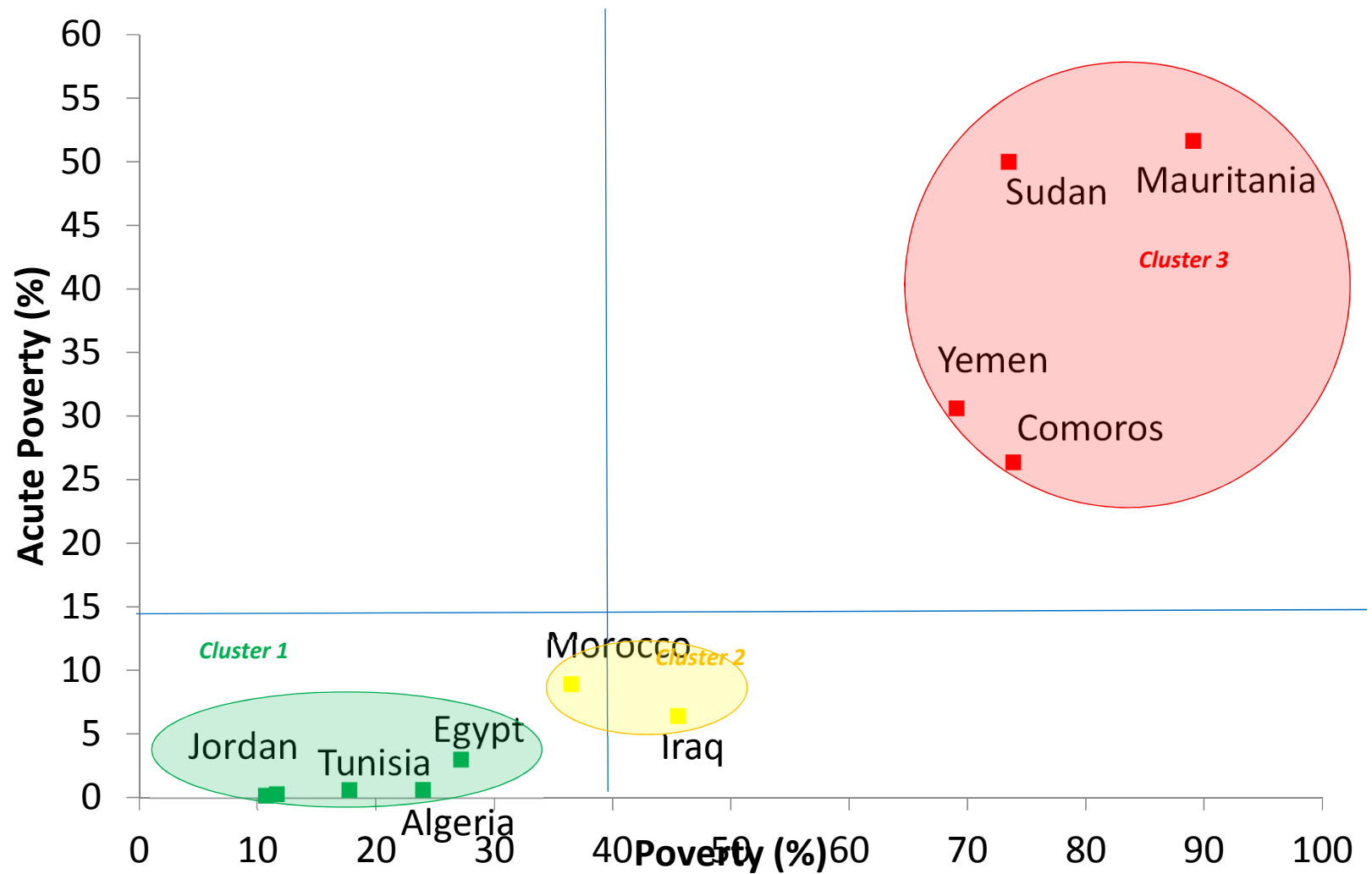


*But there are a few other
stylized facts*

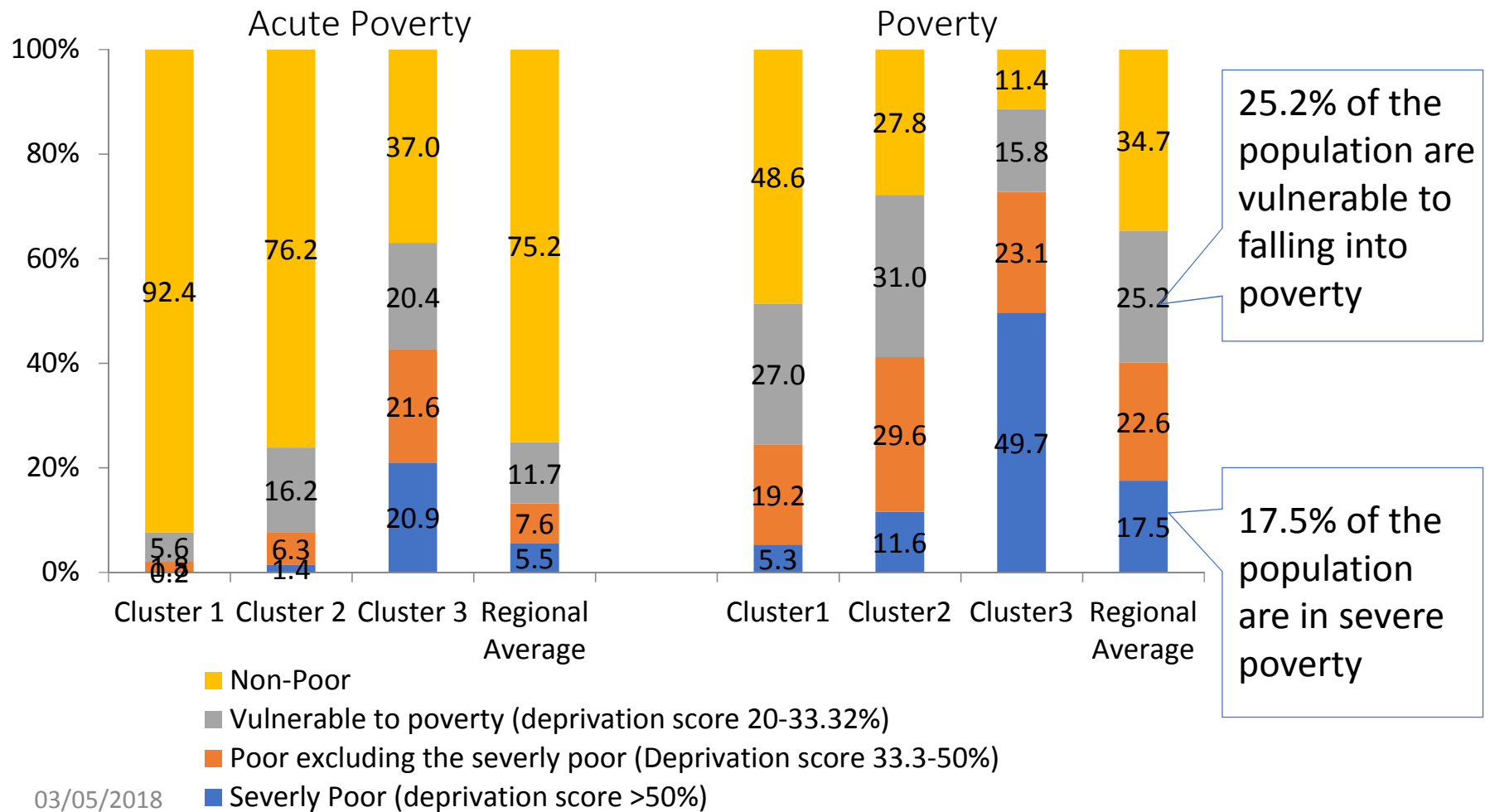
Money metric poverty rates in 2010 may have been low but vulnerability was very high (highly sensitive to choice of poverty line) which is why poverty skyrocketed after conflicts



Household multidimensional poverty affects 4 in 10 HHs



Vulnerability to MP is also high and severity high in LDCs



Inequality is higher than Gini suggests

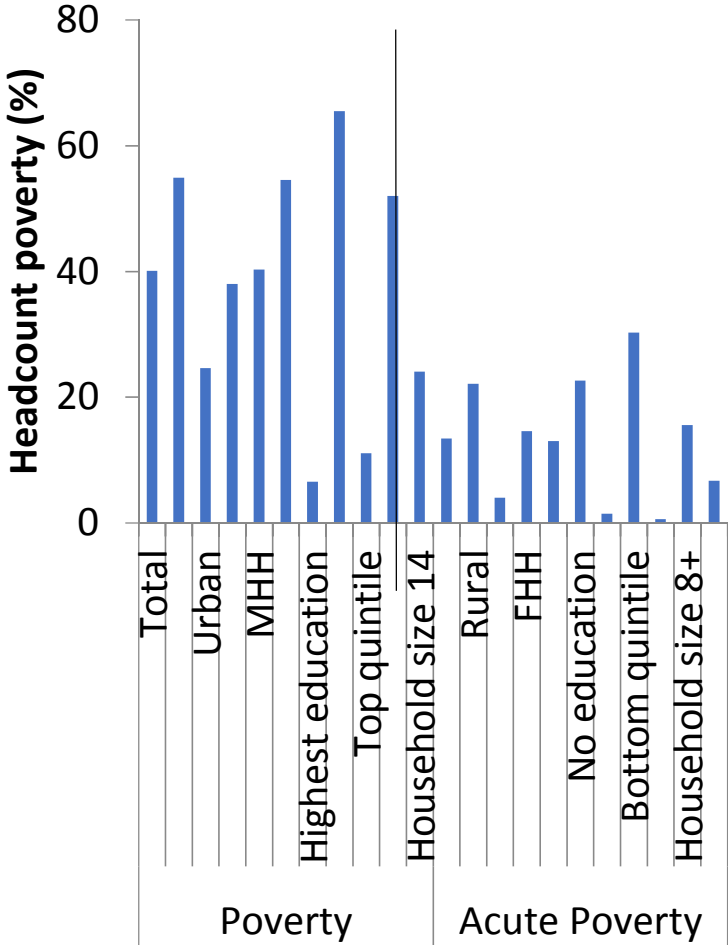
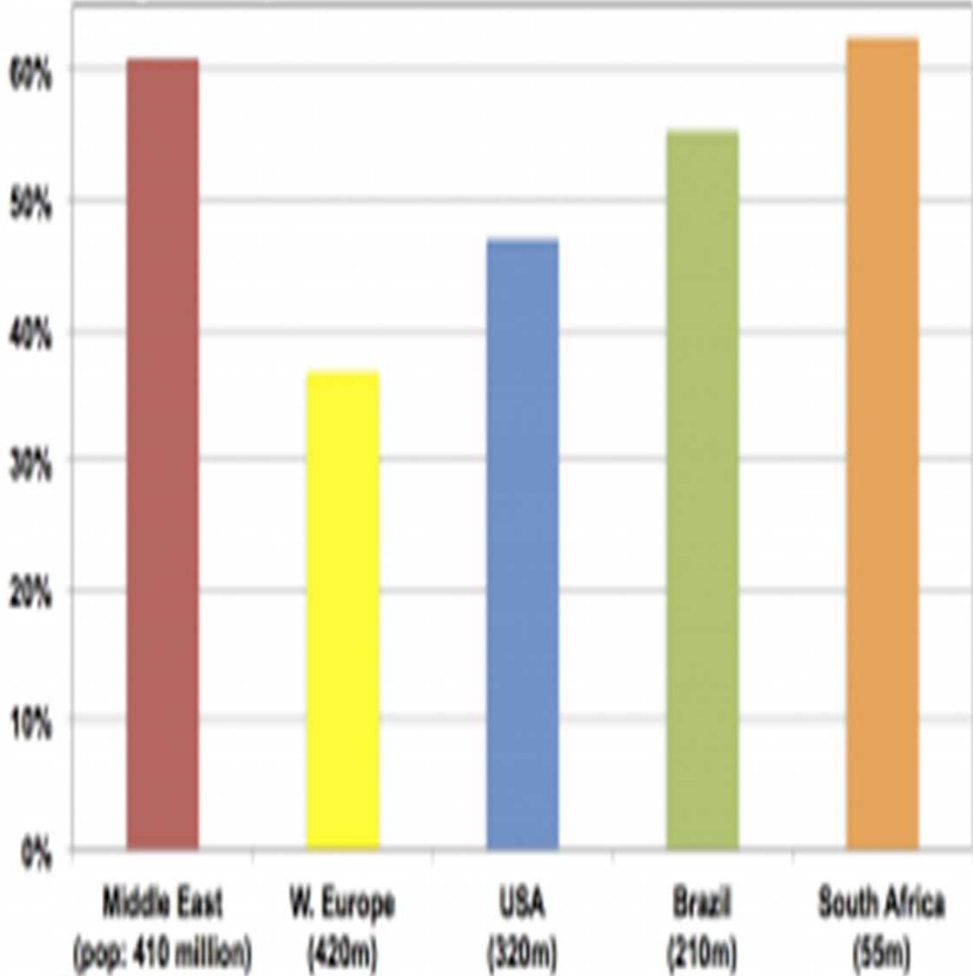
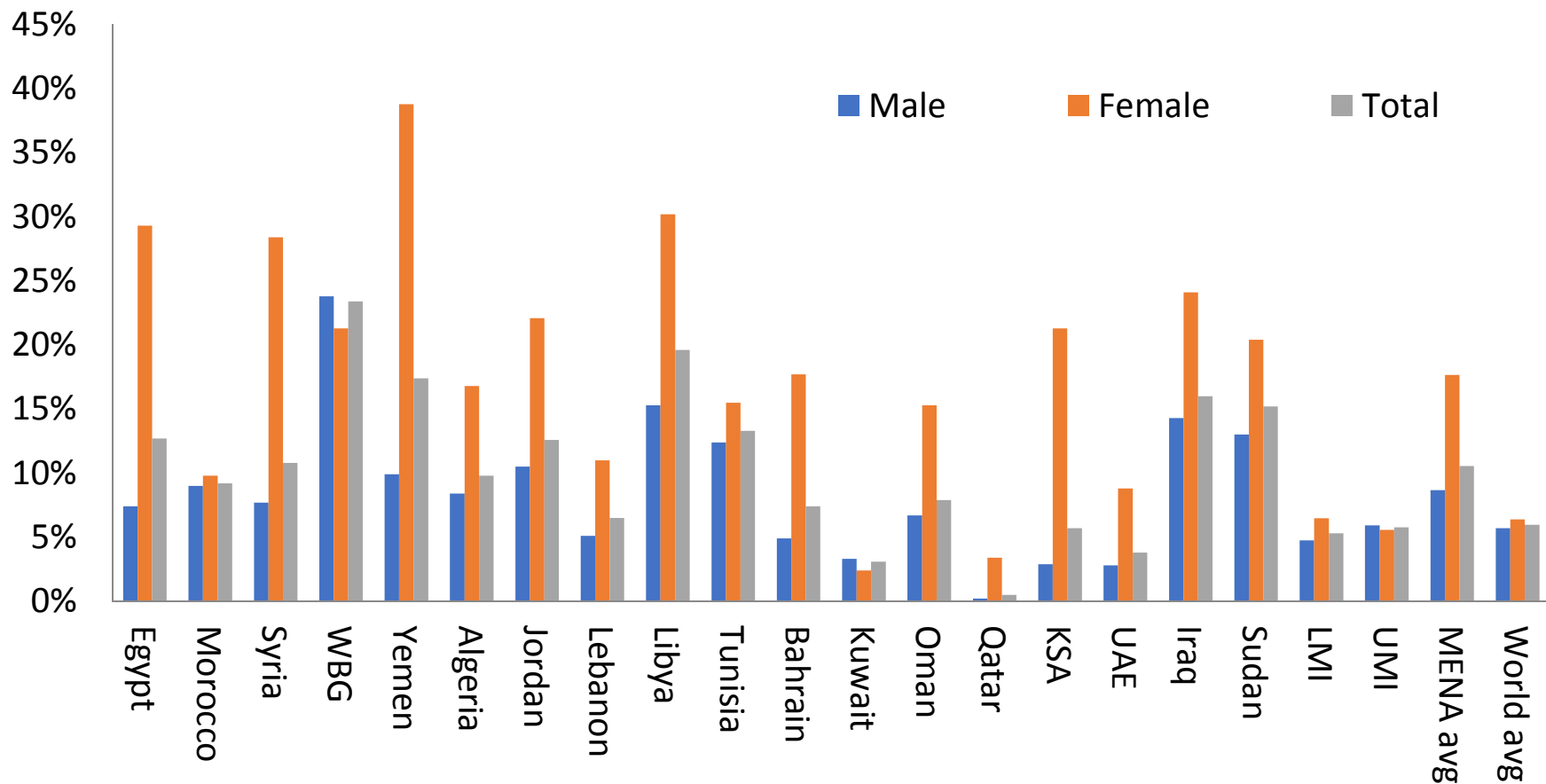


Figure 5b. Top 10% income share: Middle East vs other countries

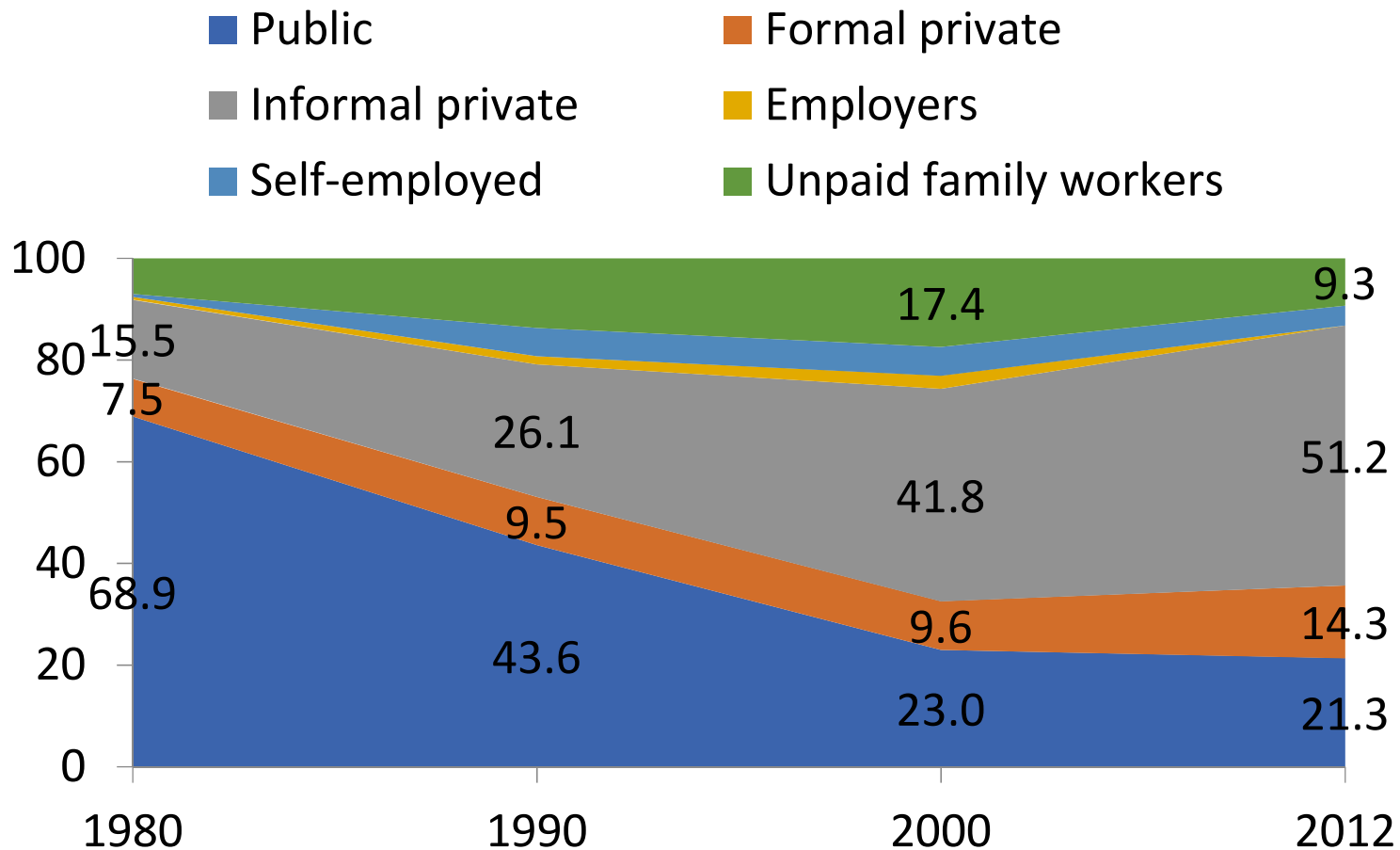


Distribution of national income before taxes and transfers, except pensions and unemp. insurance, among adults. Corrected estimates combining survey, fiscal, wealth and national accounts data. Equal split series (income of married couples divided by two). Latest years available (2013-2016). Source: VED work.

Despite rapid employment creation, unemployment is still high (double world average) especially for females and youth (lowest participation WW)

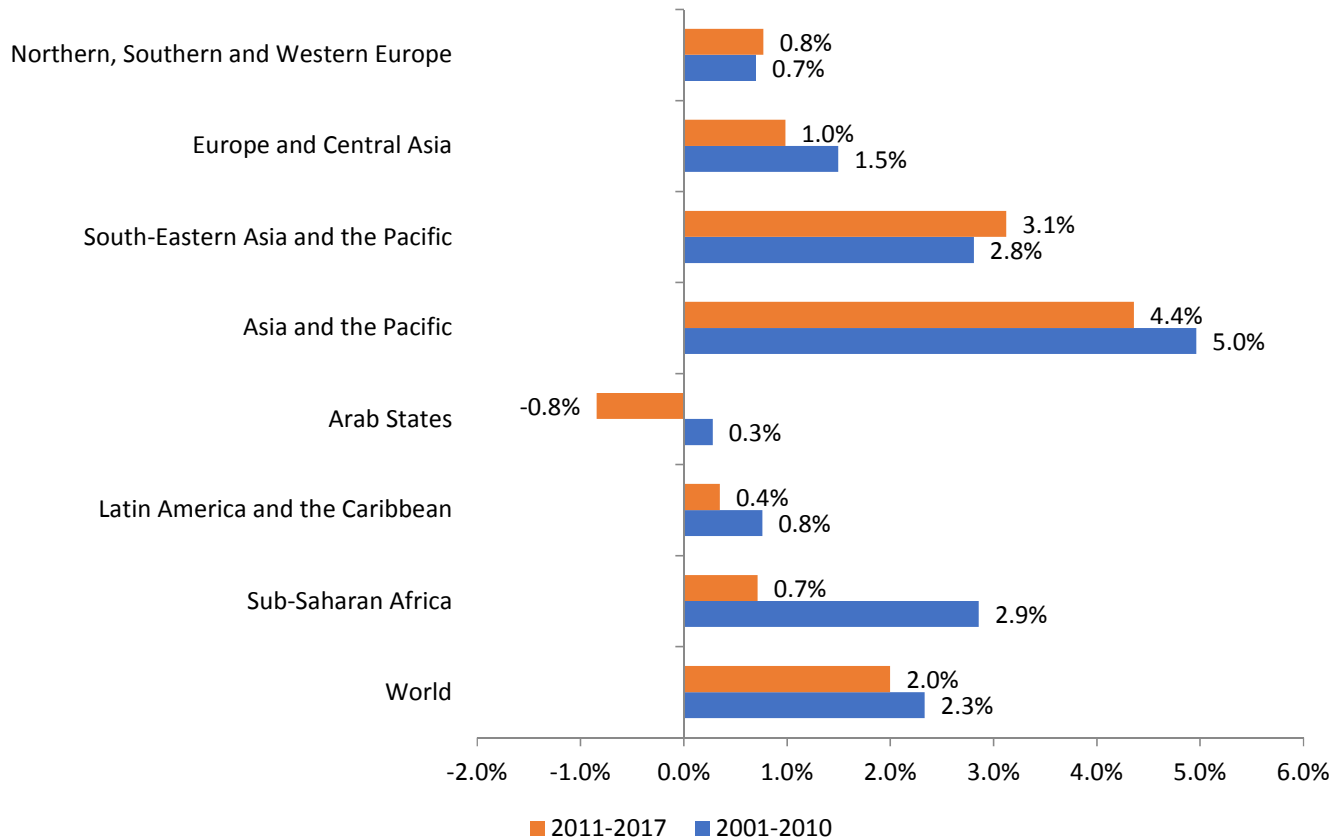


And employment mainly occurred in the informal sector



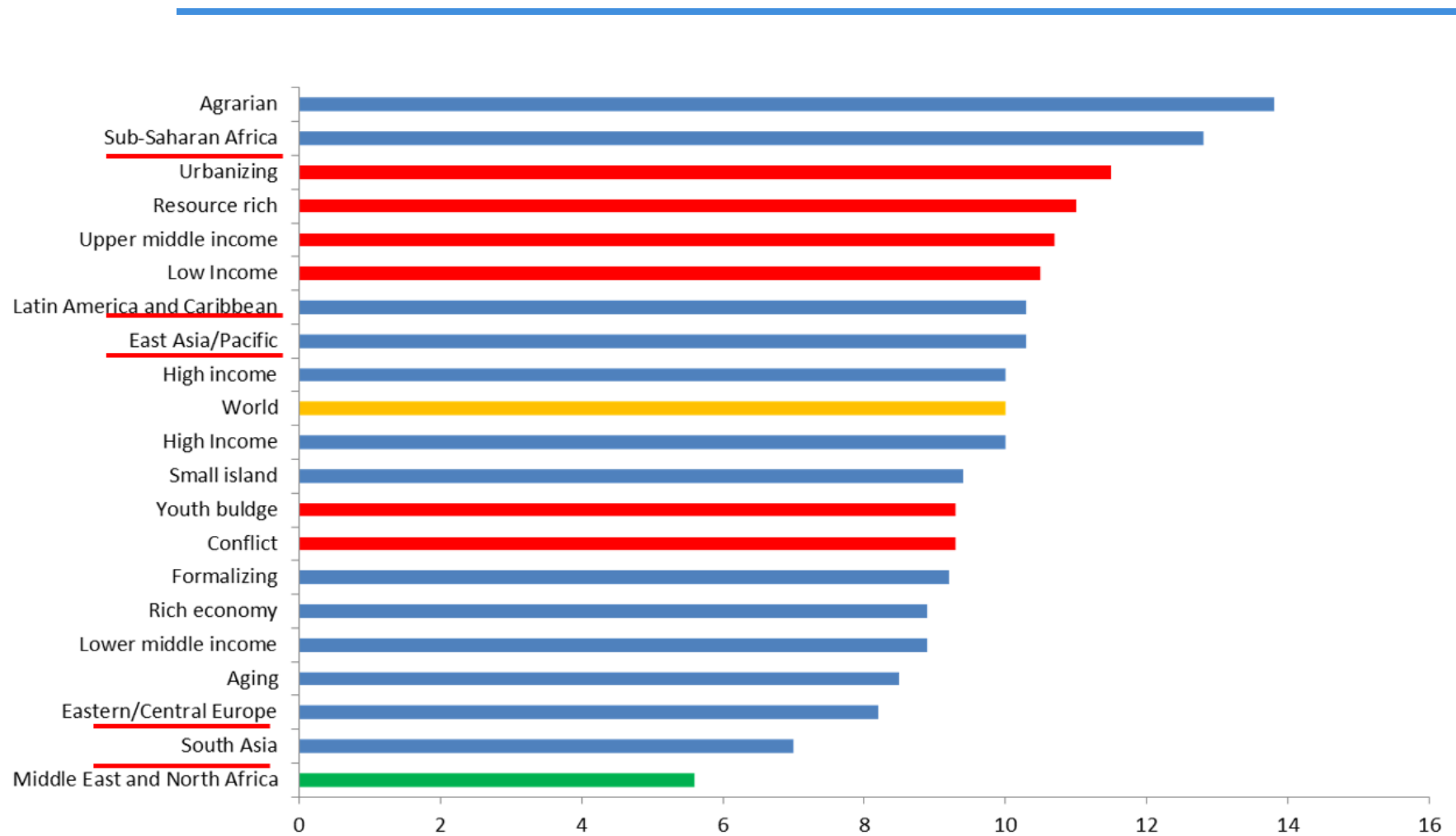
Labor Productivity lowest world wide and has become even negative in 2011-2017

In 2011 PPPs



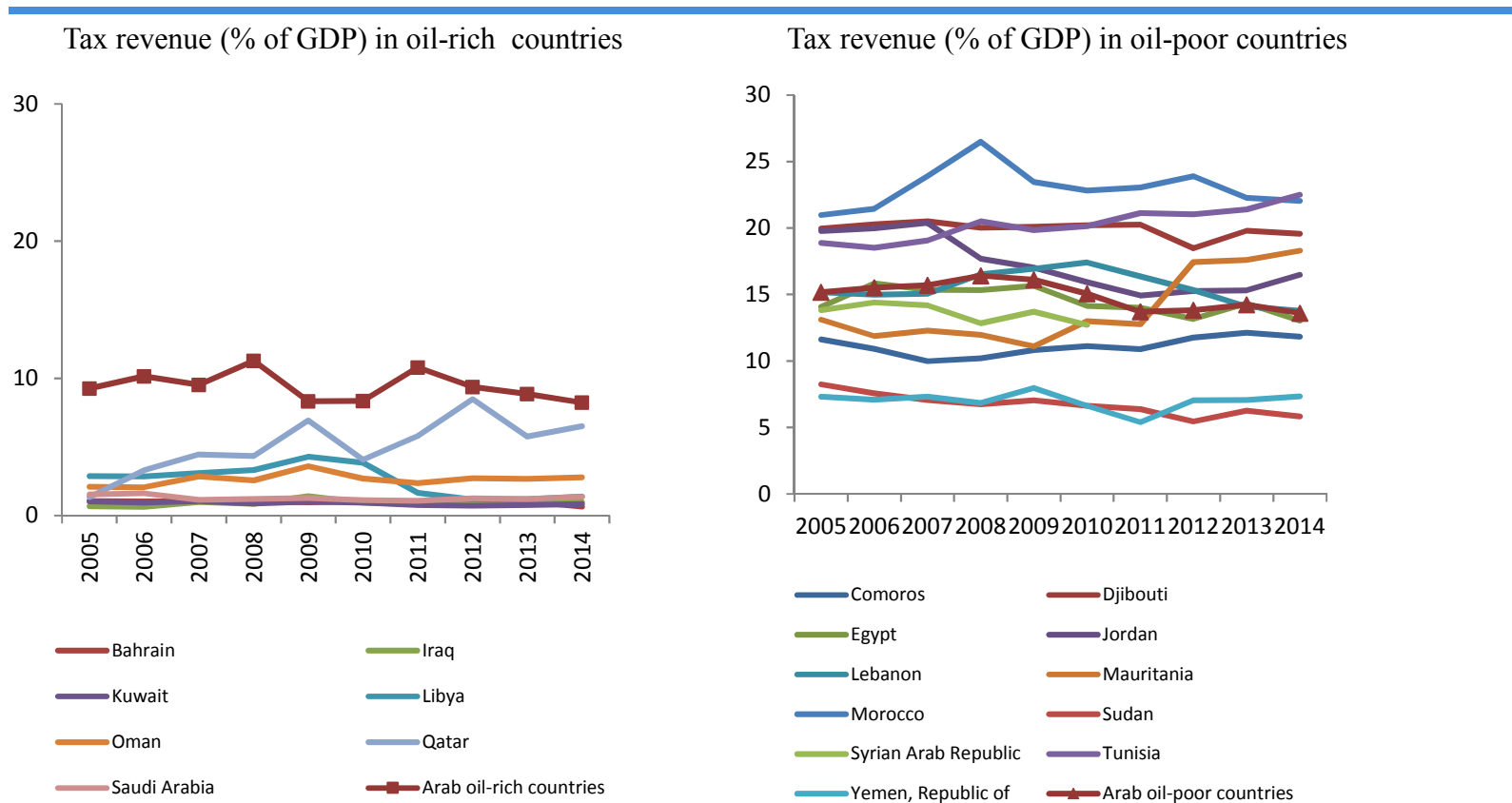
Source: ILO estimates and projections

As a result, ACs have lowest return to schooling
almost half of the average for 120 countries



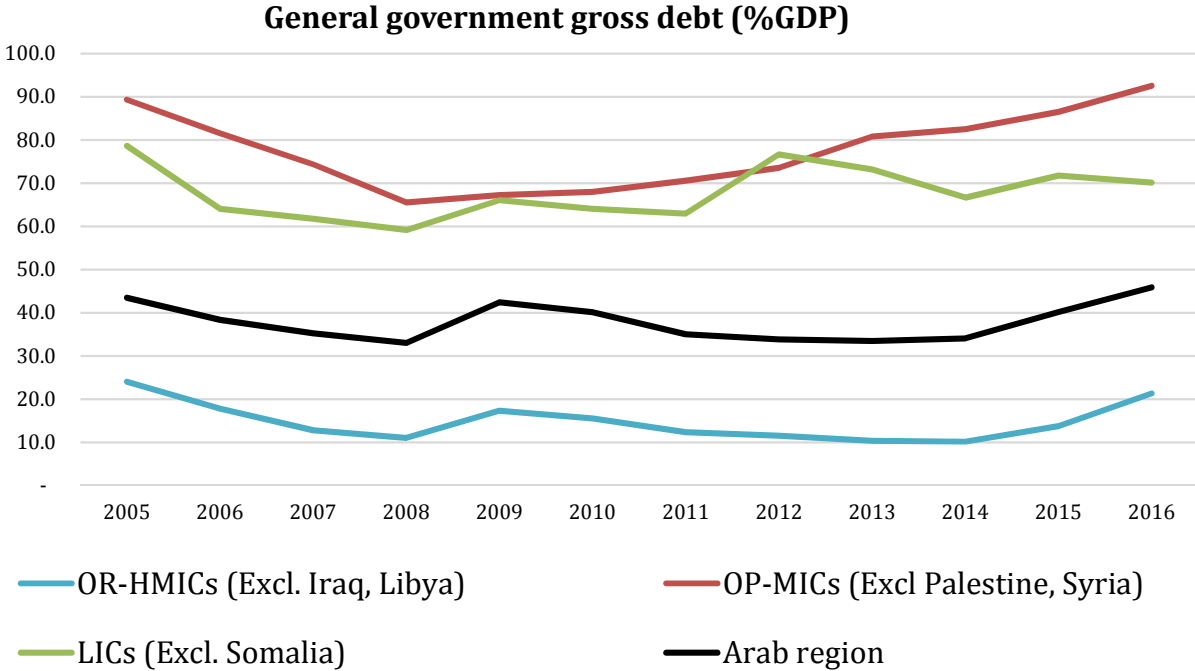
Source: Montenegro and Patrinos, 2013

Fiscal policy constraints: Low tax to GDP ratio in most Arab countries is a reflection of rentier political economy



Source: Sarangi 2016 [Background paper for the forthcoming ESCWA Report on “Rethinking Fiscal Policy in Arab Countries”]

But that has reached its limits: Rising debt and debt servicing payments– A major concern



Source: Sarangi 2017 [Background paper for the forthcoming ESCWA Report on “Rethinking Fiscal Policy in Arab Countries”]

Conclusion: the narrative matters

(1) Development model was working- look at health, education, GNI, Gini, 1.25\$ so liberal economic model delivered on growth and poverty reduction.

It just needed some fine tuning and returns on education and growth can be improved by better doing business indicators, less state intervention (smaller public sectors, subsidies and social transfers) and better education quality. (IMF-WB-Government reports)

(2) Arab development model was fundamentally broken- because of the underlying political economy model and its outcomes and there are serious fiscal policy constraints.

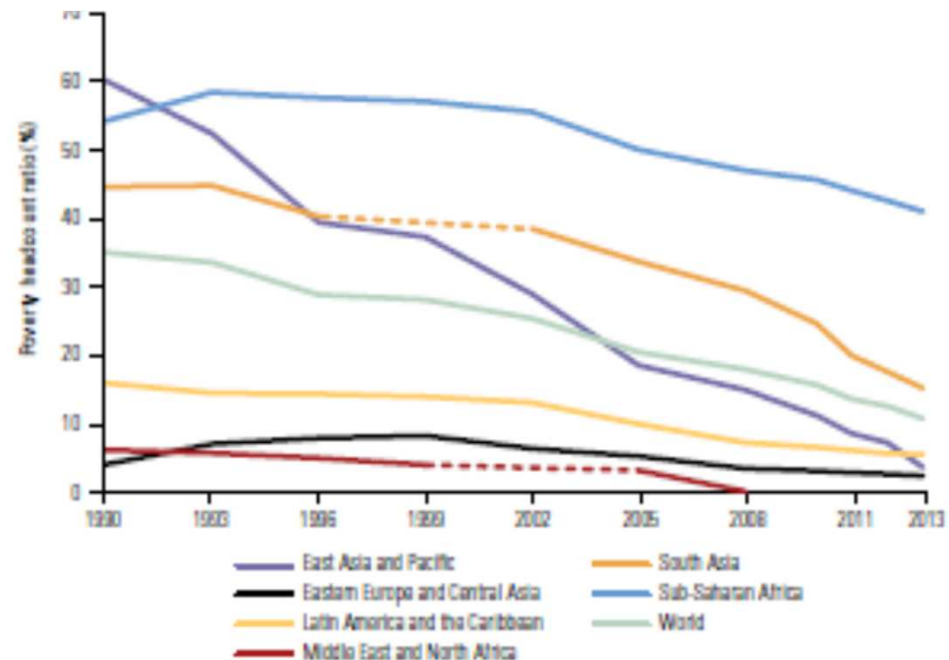
What is needed are deeper economic governance reforms to create fiscal space for a stronger poverty-growth-employment nexus with structural transformation as a core policy objective.

So question for SWAP Meeting:

*Are we content with the business as usual story?
(narrative based on 1.29\$)*

Extreme poverty now very low (10% based on 1.9\$ update in 2017) and declined by more than half from 1990 mainly due to reductions in China and India.

If not, is there a case for an alternative narrative to spring out of this process? If so, what are the entry points? How can it be done?



2. What is going on at the regional level?

3 Challenges Undermining National Poverty Reduction Efforts

- **Policy challenge:** Although, poverty is increasingly high on the agenda, the required macro-fiscal policy frameworks to address its roots and the required integrated “cross-sectoral” institutional response are lacking (MoF-MoP-MoSA need to work together).
- **Data Challenge:** Monitoring and analyzing poverty is highly constrained by data availability and suitability as well as gaps in the suitability of traditional poverty measurement methodologies to capture poverty in conflict affected countries (Syria, Yemen, Somalia, Iraq, Libya).
- **Institutional Capacity Challenge:** Limited availability of research and technical capacity at national level needed to develop policy-oriented evidence and tools and to assess the impact of policies on poverty.

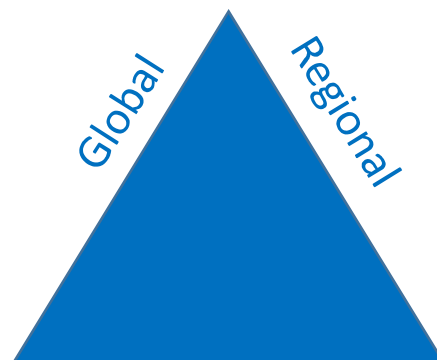
But there are Opportunities to Accelerate Poverty Reduction Efforts

- Renewed momentum at regional, and national level around the 2030 Agenda.
- Increased national ownership and regional cooperation (growing number of countries undertaking socio-economic reforms to reduce poverty, growing number of regional initiatives and coordination by the LAS Ministerial Council for Social Affairs).

Regional Architecture to Accelerate Poverty Reduction

Global

- SDG Advocacy and Implementation Mechanisms (including HLPF)
- SWAP 3rd Decade Poverty Reduction
- SDG1 Reporting Mechanism?



National

- Planning – National Development Plans and PRSs
- Social Policies – social protection schemes
- Macro-fiscal policies
- Monitoring and analyzing poverty
- UN – Government Development Assistance Frameworks

Regional

- Inter-Governmental Partnerships and Resolutions (LAS Ministerial Council for Social Affairs and Arab League Summit)
- Arab Forum for Sustainable Development
- Regional Poverty Reduction Framework and Strategy
- Regional Poverty Research Centre
- Regional Capacity Building Workshops
- Regional Poverty Network

We try to ensure complementarity and synergies between these frameworks and to accelerate National Poverty Reduction Efforts

Examples:

Global:

- DESA-ESCWA-ECLAC workshop on “Revisiting Socio-economic policies to address poverty in all its dimensions in Middle Income Countries” and formulation of a DA project to accelerate national poverty reduction efforts
- Support global SDG implementation and reporting frameworks
- Coordinate efforts and ensure coherence within the SWAP for the 3rd Decade on the Poverty Reduction
- Taking part in the MPPN (OPHI)

Regional:

- Contribute to the development of an Arab PRS (led by LAS)
- Arab Forum for Sustainable Development
- Generate evidence on the trends in inequality in MP indicators and define remedial policies (ADO 2019 “Revisiting Inequality”)
- Generate evidence on MP at regional level assessing progress achieved (Arab Multidimensional Poverty Report 2020-21 and an EGM)
- Global Expert Workshop to revisit Regional Frameworks to Accelerate MP Reduction
- Advance research on the analysis on dynamics of MP, MP in MICs, impact assessment of different policy remedials
- Equip with analytical and policy tools and support the establishment of an Arab Poverty Centre

Ongoing and Future Work

National:

- Support National Poverty Reduction Efforts (covering planning (PRS, NDP), reform of social and macro-fiscal policies, monitoring and impact assessment, policy and program tools, capacity building).
- Five requests received and cooperation frameworks are underway with Sudan, Mauritania, Yemen, Iraq, Egypt, and Jordan. Planned activities are a scoping mission with Sudan, Yemen, Iraq, and Mauritania in October 2018.

THANK YOU

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