



**ECONOMIC AND SOCIAL
COUNCIL**

Distr.
LIMITED
E/ESCWA/28/8/Panel.2
9 May 2014
ORIGINAL: ENGLISH

Economic and Social Commission for Western Asia (ESCWA)

Twenty-eighth session
Tunis, 15-18 September 2014

Item 12 (b) of the provisional agenda

SOCIAL JUSTICE IN THE POLICIES OF ARAB STATES

ECONOMIC POLICIES SUPPORTIVE OF SOCIAL JUSTICE

I. BACKGROUND

1. Recent trends in assessing global development progress reveal an increased focus on measuring people's well-being as opposed to only measuring economic production, thus going beyond gross domestic product (GDP) to indicators such as health, education, employment, freedoms and happiness, which all play a role in achieving social justice. This change was exemplified in the Arab region where social uprisings and regime changes happened in countries that were the best performers in terms of Millennium Development Goal indicators, such as Egypt, the Syrian Arab Republic and Tunisia.
2. In recent decades, the region indeed witnessed an economic performance that brought about improvements in human development and social development indicators, resulting in significant life expectancy increases, an increase in average years of schooling, reductions in maternal and infant mortality, and improvements in social welfare mechanisms. Nevertheless, multiple social, economic and political injustices and exclusions remained. These injustices are mainly the result of a dysfunctional welfare state model and a short-sighted socioeconomic approach, focused on growth as first modality and neglecting the nexus of equality, equity, rights and participation.
3. Reforms implemented in the 1980s reduced public expenditures and subsidies, increased taxes and decreased public employment, thus weakening the role of the state. However, no considerable job opportunities were created and social policy measures were reduced in scope, becoming "safety nets" that sought to cushion the adverse impact of economic restructuring on the more vulnerable groups. The privatization of state-owned enterprises and deregulation measures also led to the flourishing of elites in a context where public accountability was limited and political repression was high. In the same vein, the liberalization of the economy led to a reduction in the Arab middle class and widened the gap between rich and poor. As a result, the marginalization of individuals increased and resulted in rural/urban inequalities, income gaps and lost opportunities in access to employment and social services. In addition to corruption and exclusion, these hardships catalysed the popular Arab uprisings that intrinsically connected social, political and economic demands.
4. Most Arab Governments responded to these developments with a crisis management approach that involved increasing public salaries and public employment, reducing taxes, distributing bonuses or grants and expanding welfare programmes, such as pensions, unemployment benefits, subsidies and cash transfers.
5. Panel 2 will look at the interconnected aspects of the economics of social justice and the impact of different economic and fiscal policies on social and economic development from an equity and justice perspective.

II. KEY ISSUES

A. POVERTY AND INCOME INEQUALITY

6. The Arab region is the only developing region with an average annual per capita income growth of around 2 per cent since the 1990s, which could not secure a reduction in poverty. Extreme poverty in the least developed Arab countries, for example, reached 21.6 per cent in 2012. Poverty has recently increased in many countries, mainly as a result of political instability and conflict.
7. Poverty and income inequality are especially high among women and rural populations who face additional legal, structural and cultural barriers that inhibit their access to resources. Across the region, roughly twice as many people remain impoverished in rural areas than their urban counterparts.
8. Discussions on income inequality in the region should focus on measurement indicators. Compared to other parts of the world, the Arab region registers a medium-level of inequality according to a general Gini index; however, this average figure masks internal discrepancies. For example, in 1998, the Gini index

calculated for seven Arab countries was 0.053, but including the United Arab Emirates in the figure increased the inequality index to 0.47.

B. EMPLOYMENT

9. Unemployment decreased in the Arab region over the last two decades; however, most of the jobs created were in low-value and low-productivity sectors. This was a result of inadequate macroeconomic policies and labour regulations, as well as costly and complex business environments that hindered private investment in productive sectors and limited job creation. These factors led to a mismatch between labour supply and demand and, as a result, the number of unemployed educated young people increased. The demand for public sector jobs increased, and so did the labour market segmentation along public/private and formal/informal lines, and in terms of gender and nationality.

10. In addition, employment in the agricultural sector declined by nearly 20 per cent over that period because of limited agricultural development due to land and water constraints, thus increasing urban-rural inequality. Consequently, the Arab region registered one of the highest unemployment rates in the world in 2010, 13 per cent, which increased further to 14.4 per cent during the uprisings. Only 26 per cent of women are employed in the region compared to a world average of 51 per cent, and youth unemployment is at a striking 23.3 per cent compared to a world average of 13.9 per cent. It is estimated that middle- and low-income Arab countries should produce 92 million jobs by 2030 to reach full employment and raise women's labour force participation rate to 35 per cent. The pervasive segmentation of the labour market has forced many to engage in informal and unprotected work, which is estimated at one third to half of total employment in the Arab region. These distortions in the labour market are not only detrimental to equitable and sustainable growth, but also to political peace and stability, as demonstrated by the uprisings.

C. EDUCATION SERVICES

11. On average, Arab States have been dedicating 5.5 per cent of their gross national product (GNP) to education since 1999 (the second highest rate in the world after North America and Western Europe) but there are regional disparities in this field as well. While Tunisia has been spending around 6.6 per cent of its GNP on education, Lebanon has been allocating a mere 1.8 per cent. Many poor families in the region cannot afford quality education, which is often not available through the public system. The richest segment of the population spends four times more on their children's education than the poorest. Moreover, around 9 million children are still out of school in the region, 60 per cent of whom are girls. Illiteracy rates also remain high: although there has been some improvement, 25 per cent of adults in the Arab region remain illiterate, totalling 50 million people of whom over two thirds are women.

D. HEALTH SERVICES

12. Apart from being a human right in itself, health is a necessary condition to fully function as a member of society. Lack of adequate health services curtails individuals' positive freedom by risking their ability to function. Over the last three decades, Arab countries achieved significant, albeit disproportionate, strides in providing universal access to health services. For example, child mortality rates dropped from 90 deaths per 1,000 live births in 1990 to 58 in 2011. The Mashreq and Maghreb subregions have reduced maternal mortality by 60 per cent; and Gulf Cooperation Council countries have halved its ratio to 15 deaths per 100,000 live births, lower than that of developed countries. However, access remains disproportionate within and across countries and is a key challenge for many in the region. Within countries, poor rural populations and other vulnerable groups, such as persons with disabilities, are particularly disadvantaged. For example, in Morocco, children under 5 who belong to the poorest quintile are three times more likely to die than children in the richest quintile.

13. In addition, access to health insurance mirrors the segmentation of labour markets. Only those who work in public and other formal sectors are covered against illness through contributory insurance systems,

while informal workers are left without or with minimal health coverage. At the same time, public health insurance covers on average only 30 to 40 per cent of Arab citizens. These deficiencies are further compounded by decreases in public investments in health services and an increasing trend towards privatization.

E. FINANCING FOR SOCIAL JUSTICE

14. Changes in governance structures and procedures, if peaceful, may not have direct budgetary consequences. However, financing health services, social protection floors, poverty eradication and other public goods such as education, which, alongside governance reform, are essential to achieving social justice, definitely entails increased public expenditure. Enhancing fiscal space for such development expenditures is therefore an enabling condition for pursuing measures to ensure social justice.

15. Most Arab countries heavily subsidize their energy: 50 to 85 per cent of public spending is dedicated to that end, amounting to 3 to 14 per cent of their gross domestic product (GDP). Such expenditure not only exceeds the amounts dedicated to other requisites for development; it is also inefficient and ineffective as a pro-poor measure, given that the benefits are mostly enjoyed by the wealthier spectrum of the population.

16. In addition, Arab countries collect very little taxes as a share of GDP, equalling 10 per cent or less in Algeria, Libya, the Syrian Arab Republic and Yemen. Low dependence on taxes is one of the reasons often cited as contributing to poor accountability and poor governance. Expanding revenues through domestic tax resource mobilization can either entail imposing new taxes, increasing tax rates, improving enforcement or broadening tax bases. Globally, there is a positive relationship between development and collected taxes as a share of GDP, as middle income countries typically collect around 20 per cent with taxes, while low income and lower middle income countries only collect between 10 and 15 per cent.

III. OBJECTIVES

17. The plenary session aims to provide a platform for dialogue and for exchanging lessons learned among Arab leaders and prominent regional and international thinkers on the relationship between economic policies, social justice and sustainable development, so as to develop concrete proposals and policy options that can be incorporated into national and regional development plans.

18. More specifically, the session aims to address the following two main issues:

(a) Assuring equality in development requisites by guaranteeing health-care services, social protection, poverty reduction and avenues for participation;

(b) Enhancing fiscal space for development expenditure through subsidy and tax reforms.

IV. DISCUSSION QUESTIONS

19. The following are suggested discussion questions:

(a) How do ESCWA member States adopt inclusive growth policies that focus on social justice and equity? What should national development visions be founded on?

(b) How do Governments in the region mainstream the principles of equity, equality and human rights in their plans and projects? What are the measures needed to promote better governance of employment, social support, health and education systems?

(c) How to address the employment challenge? What are the short-term solutions that Arab States could implement to ease social tension while putting in place long-term reforms? Would long-term

unemployment reforms include tackling industrialization policy; diversifying the economic structure; and enhancing economic competitiveness, business environments and the economic governance systems?

(d) How do member States increase women's employment incentives?

(e) How to tackle labour market rigidities while maintaining social security mechanisms? Should Governments guarantee taking requisite measures, legislative or otherwise, to reduce to the fullest extent possible the number of workers outside the formal economy who have no social protection?

(f) Should Arab States undertake comprehensive educational reforms to tackle socially unjust policies? If so, what should be the focus of these reforms? Should it be revising existing curricula to foster creativity, sustain talents and promote the values of responsible citizenship and civic engagement?

(g) How can Governments synchronize human capital accumulation with labour market demands and incorporate knowledge into innovative labour-intensive activities that can generate growth and contribute to social justice? Should this be done by investing more in education, technical education and vocational training? Or, should Governments focus on policies that can create the requisite number of jobs in dynamic and productive sectors of the economy?

(h) How can Arab Governments increase access to quality health services and ensure justice in access and delivery of health-care services? How can Governments develop modern and integrated health systems that respond to the changing needs of the population?

(i) Should ministries of health continue to play their leadership and regulatory role or give way to the increasing role of market-run services?

(j) How do countries end reliance on rents, explore other sources of growth and ensure that future growth is inclusive of all social dimensions, and is able to ensure intergenerational social justice and create sufficient jobs, especially for young people?

(k) What are the means available to enhance fiscal space for development expenditures? What are the options available to deal with subsidy reforms, in particular energy subsidies? How can Governments expand the fiscal space through privatization or by using natural resource revenues differently?

V. PARTICIPANTS

20. The plenary session will comprise high-level representatives from ESCWA member States, senior policymakers, prominent academic thinkers and representatives from the private sector, the United Nations system and civil society.

VI. LANGUAGES

21. The discussion will be conducted in Arabic and English, with simultaneous interpretation.

VII. CONTACTS

Mr. Abdallah al-Dardari
Director, Economic Development and
Globalization Division
Phone: +961-1-978082
E-mail: aldardari@un.org

Ms. Siham el-Sabeh
Administrative Assistant, Office of the Director
Economic Development and Globalization Division
Phone: +961-1-978465
E-mail: elsabeh@un.org
