

E/ESCWA/ENR/2002/18
ORIGINAL: ENGLISH

ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA

World Summit on Sustainable Development
Johannesburg, 26 August-4 September 2002

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**THE EFFECTS OF POVERTY AND UNEMPLOYMENT ON SUSTAINABLE
DEVELOPMENT IN THE ESCWA REGION**

Briefing Papers

(18)

United Nations
2002

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02-0295

PREFACE

On the occasion of holding the World Summit on Sustainable Development (WSSD) in Johannesburg from 26 August to 4 September 2002, and in light of the lack of necessary information in Arabic regarding the strategies, policies and actions needed to achieve sustainable development in the region, the Economic and Social Commission for Western Asia (ESCWA), as a continuation to its efforts in the field, has issued a number of Briefing Papers identifying primary issues regarding sustainable development in the region. ESCWA trusts that the enclosed Briefing Papers will provide all those concerned with appropriate information on issues of vital importance to the process of achieving sustainable development in the Member States.

The Summit aims to emphasize international commitment to achieving sustainable development through:

1. Assessing implementation of Agenda 21;
2. Reviewing the challenges and opportunities to achieve sustainable development;
3. Suggesting actions and required institutional and financial arrangements to achieve sustainable development;
4. Identifying means to support institutional structures nationally and regionally.

Throughout the past years, ESCWA has incorporated the proposals set out in Agenda 21 into its various activities, especially in the fields of energy, water and environment. As a result, ESCWA has published numerous technical documents, has held various expert group meetings and has provided its Member States with technical assistance and advisory services in the field.

Within the preparations for the forthcoming WSSD, ESCWA -in collaboration with the Technical Secretariat of the Council of Arab Ministers Responsible for the Environment (CAMRE) in the League of Arab States and the United Nations Environment Programme Regional Office for West Asia (UNEP/ROWA)- has held various preparatory meetings which ultimately led to the preparation of the regional assessment report identifying the achievements and requirements of sustainable development in the Arab region, the Arab Ministerial Declaration, and the Joint Arab-African Ministerial Declaration. ESCWA has furthermore prepared a number of publications, namely; a study on sustainable development planning in the region, a regional assessment report on the achievements and constraints to sustainable development, and a study on governance and the institutional framework for achieving sustainable development in the region.

In this regards, ESCWA has issued some 18 Briefing Papers that deal with the themes that were set out in Agenda 21. The Briefing Papers could be divided into three main sections:

The First Section in the Field of Energy: Contains ten papers displaying the possibilities of achieving sustainable development in the field including: (1) The


ESCWA energy sector characteristics in the region; (2) Energy and Agenda 21: the objectives and progress achieved in its implementation; (3) The challenges and opportunities for achieving a sustainable energy sector; (4) The activities undertaken by ESCWA in the field of energy and sustainable development; (5) Development of renewable energy technologies and application; (6) Efficient and rational use of energy in the building sector (domestic and commercial); (7) Efficient and rational use of energy in the industrial sector; (8) Greenhouse gas abatement in the ESCWA transport sector; (9) Greenhouse gas abatement in the ESCWA power sector; and (10) Energy and Gender perspectives in sustainable development.

The Second Section in the Field of Water: addresses the most important issues to achieving sustainable development in the water sector and the provision of sufficient water to meet the economic and social developmental needs. This section includes: (11) Water and Agenda 21, Chapter 18; (12) An integrated management of water; (13) Water supply management; and (14) Water demand management.

The Third Section in the Social and Economic Fields: takes into account the actions undertaken in the regional preparation of the WSSD and the issues of utmost social and economic concern in the region's States, including: (15) Role of ESCWA in regional preparations for the WSSD; (16) The effects of peace and security on sustainable development in the ESCWA region; (17) The effects of socioeconomic inequity on sustainable development in the ESCWA region; and (18) The effects of poverty and unemployment on sustainable development in the ESCWA region.

The abovementioned Briefing Papers were prepared by ESCWA and selected regional specialists, to be published sequentially prior to the WSSD in Johannesburg. Furthermore, ESCWA will issue a booklet containing summaries of the 18 Briefing Papers in the English version.

ESCWA trusts that these efforts contribute to shedding light on the important strategies, policies and mechanisms needed to achieve sustainable development in the region, and provide the Arab leaders, decision makers, researchers, and media persons with a simple and explicit review of the possibilities and means to achieve sustainable development, including the institutional and technical actions required for such an achievement. The Briefing Papers aim to identify priority issues to be discussed during the WSSD, and the degree to which these issues relate to the needs and perceptions of ESCWA countries, in order to assist Member States in deciding their positions towards the issues presented at the Summit and assessing the possibilities of implementing its recommendations and programmes.


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Beirut, 16 / 4 / 2002

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ACRONYMS AND ABBREVIATIONS

ESCWA	Economic and Social Commission for Western Asia
FDI	Foreign Direct Investment
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
HDI	Human Development Index
HPI	Human Poverty Index
ICT	Information and Communication Technology
OPEC	Organization of Petroleum Exporting Countries
SME	Small and Medium-sized Enterprise
SOE	State Owned Enterprise
UAE	United Arab Emirates

I. INTRODUCTION

From 1960 to 1985, the ESCWA region was able to capitalize on its natural resource base and on high oil revenues to achieve growth rates of five percent annually, and make great advances in socioeconomic development. On a regional basis, the ESCWA region experienced the second largest absolute increase in its Human Development Index (HDI) value between 1960 and 1992. However, over the past decade, while other regions of the world transformed their economies from public-sector dominated, natural resource based economies into more diversified and export-oriented economies, the ESCWA region only recently embarked on economic reforms to that effect. As a result, from 1990 to 1999, ESCWA Member States experienced low annual per capita income and GDP growth rates, performing only better than Sub-Saharan Africa. HDI improved only marginally, as falling per capita income, economic stagnation, and population growth combined to increase poverty and unemployment during the 1990s.

Poverty and unemployment are among the primary challenges to sustainable development in most ESCWA Member States. The structural causes of unemployment in the region are found in the pattern of economic growth -based on natural resource exploitation- and in the characteristics of the labour force -being increasingly young and inadequately trained to meet market needs-. Poor performance of the labour markets is largely due also to high dependency on the public sector for employment creation; other factors include: regional conflicts, labour migration and the challenges of incorporating the informal sector into the formal economy. The informal sector has been also absorbing unskilled labour, but its corresponding low wages have not seriously contributed to poverty alleviation. As a result, low real wages, and limited employment opportunities, have combined to expand and deepen poverty in the region.

Furthermore, natural resource-based growth has largely tied regional development to oil price and revenues fluctuations, and has stymied efforts at economic diversification. Thus, although globalisation is expected to dismantle barriers to trade and capital mobility and to bring about advances in information and communication technologies, the corresponding opportunities that these advances may bring have not been fully exploited in the ESCWA region. Limited commitment to economic diversification has resulted in reduced employment opportunities, particularly for young graduates.

This brief explores the background, trends and challenges that poverty and unemployment were posing to regional efforts to achieve sustainable development, over the past decade. A platform of priorities for action identifies the key unemployment and poverty challenges that must be addressed, to enhance efforts towards sustainable development in the region, during the coming ten to twenty years.

II. PATTERNS OF ECONOMIC DEVELOPMENT

Economic development in the ESCWA region is largely dependent on fluctuating oil prices. The boom years of the 1970s stand in marked contrast to the mid and late 1980s, particularly for oil exporting countries. After slow growth in the early 1990s, most economies in the region recovered from losses incurred during the 1980s. The economic gains during the 1990s were the result of economic reform policies targeting broad-based economic recovery to cope with major challenges, including high unemployment.

Natural resources dependence. Economic development in the ESCWA region remains mostly based on the exploitation of exhaustible natural resources. Accordingly, examination of sustainable development from an integrated perspective must take into consideration the implications that non-renewable oil, gas, phosphate and groundwater mining pose for the environment, and must also consider the limited scope of these resources as the engine for regional socioeconomic development. The share of the oil, gas and mining sectors to regional GDP has fluctuated and fallen from 23 percent in 1990 to 19 percent in 1999. While these figures may indicate a trend towards economic diversification, they also reflect the reduction in revenues generated by the oil and gas sectors, and thus the tightening of funds available for social, economic and environmental programmes in the region.

Oil, gas and mineral resources in the region not only play an important role for income generation as primary exports, but also provide supporting inputs for energy-intensive, value-added industries proliferating throughout the region. Indeed, the mining and processing of industrial minerals and metals have increased, alongside mineral and fuel extraction as important sources of foreign currencies in Egypt, Jordan, Syria and Yemen. This trend poses triple challenges for sustainable development in the region. First, ESCWA Member States cannot depend indefinitely on the economic gains of exploiting exhaustible natural resources and therefore must diversify their economies, in order to develop alternative revenue streams. Second, there are adverse environment, health and safety effects posed by oil and gas exploitation, processing, reformulation and shipping, as well as the extraction of other minerals. Air and water pollution have been increasingly around expanding mines and industrial areas serving the petrochemicals, fertilizers, steel and cement sectors. Poorer communities -usually neighbouring these industrial sites- suffer the most by the increased pollution streams. Third, most natural resource based industries tend to be capital intensive -rather than labour intensive- and oftentimes rely on the expertise of foreign skilled labour to manage facilities. Development of these industries thus does not necessarily generate significant employment for nationals, particularly in the Gulf States.

It should be noted, however, that while Gulf countries are the region's primary oil exporters, they are also net importers of labour, and absorb significant number of the migrant labour force from other countries in the region. The labour-exporting countries depend on their expatriate workers remittances as a significant share of their

income. Therefore economic dependence on natural resources extends to countries with limited exploitable natural resources in the region as well. Thus downturns in oil revenues tend to affect the region as a whole.

Non-oil sectors. Industrial development is a vital component of the development process in the ESCWA region, providing national income, creating jobs and adding value to primary products. The industry sector contribution to GDP in the ESCWA region, although small in comparison to the oil sector, grew steadily over the last decade. Most countries of the region have sought to reinvigorate the industrial sector, by reviewing their industrial strategies and policies to benefit a growing private sector and small and medium sized enterprises (SMEs), and to assist the industrial sector to cope with trade liberalisation, and with increasing competition, both in domestic markets and in traditional export markets. SMEs are among the largest employers in the ESCWA region.

Agriculture is also a significant contributor to economic growth in the ESCWA region. However, agricultural protectionism continues throughout the region, as does heavy subsidization of irrigation water, agrochemicals and land, all of which have led to unsustainable patterns of agricultural production. This trend has rendered the sector inefficient and vulnerable to trade liberalisation agreements that seek to eliminate agricultural subsidies and reduce protection tariffs. This has various implications for sustainable development, namely on: employment, rural-urban migration, water use, land use, research and technology, and food security. Agricultural employment in the region remains low on average, although significant portion of the populations in countries such as: Egypt, Syria, Yemen and Iraq, continue to live in rural areas, and depend on agriculture for subsistence. However, it is to be noted that water shortages and increasing urban investment patterns are reducing the role of the agricultural sector in the employment of a growing labour force.

Trade. Over the past decade, globalisation and trade liberalisation trends have prompted nearly all ESCWA countries to actively seek membership in the World Trade Organization. Seven ESCWA countries are now WTO members, while four are in accession stage. Regional economic integration may provide a suitable steppingstone for effective inclusion in global economic arrangements, such as the Euro-Mediterranean Partnership Agreements and the Greater Arab Free Trade Area, both of which are gaining increasing membership among countries of the region.

Since the early 1990s, most countries in the region initiated economic reforms to better adjust to trade liberalisation trends and to globalisation. However, current responses to globalisation in the ESCWA region may limit the region potential to achieve sustainable development, as competition for ESCWA markets increases due to trade liberalisation, agreements, low-cost imports and poor performance of non-oil exports. The shifting trade balance shows that trade liberalisation constitutes a real threat for uncompetitive industries and subsidized agriculture in the region. This is especially true for heavily burdened state-owned enterprises (SOEs) and most SMEs -

employing over 90 percent of the national labour force-. Furthermore, as trade barriers and subsidies are removed, environment and health standards are being reinforced, both domestically and in export markets, putting more pressure on the competitiveness of local industries. Neither the agricultural nor industrial sector is prepared to cope with the implications and cost of competition and needed modernization, which is posing serious implications for employment in the region.

The need for economic diversification. Exploitation of non-renewable resources poses serious challenges to long-term sustainable development prospects in the region. In 1992, the Organization of Petroleum Exporting Countries (OPEC) estimated that the lifetime of proven oil reserves is limited, ranging from 19 years of remaining oil production in the UAE to 33 years in Egypt, to 118 years in Saudi Arabia and 250 years in Kuwait. Although new discoveries may extend these lifetimes, long-term development dependent on natural resource exploitation, without economic diversification, is unsustainable.

To this affect, over the last decade, governments in the region have come to realize that dependence on renewable and non-renewable natural resource-based industries is unsustainable, not only due to the environmental considerations, but also for socioeconomic considerations as well. Most Arab governments now support economic diversification measures, albeit with various levels of success, with Egypt, Saudi Arabia and UAE achieving significant progress. Diversification efforts have already served to provide more environment friendly employment opportunities, for a growing number of educated nationals in the region and may prove beneficial in encouraging gender balance in the work force, as the economies in the region become more service oriented. Foreign Direct Investment (FDI) could provide an important vehicle for economic diversification. However, most FDI into the region remains concentrated in the petrochemicals sector. Furthermore, some economic diversification strategies are geared towards developing down-stream industries of the petroleum sector, such trends do not relieve the dependence on the natural resource base, nor necessarily expand employment opportunities.

It is to be noted that, as yet, growth in the ESCWA region has not successfully diversified into other sectors away from the petroleum based sectors. In several ESCWA countries growth has coincided with increasing poverty. Despite efforts at economic diversification and reforms, regional economic growth stood below the average recorded for developing countries during the same period, and was generally equal to the rate of population growth. This trend left very little scope for improving the living standard and supporting poverty alleviation programmes, thus combination has led to inequitable growth, and has contributed to expanding and deepening poverty and unemployment.

III. CHARACTERISTICS OF THE LABOUR MARKET

Unemployment and underemployment represent major challenges in the ESCWA region. Although data on unemployment for the countries of the ESCWA region is scarce and wide-ranging, on average, national unemployment rates in most countries of the region tend to exceed 20 percent of the total work force. This is due to high population growth rates and to the inability of the domestic market to create as rapidly new adequate work opportunities, for new entrants into the labour market. Unemployment and underemployment, across the region, generally share similar characteristics: they tend to be higher among unskilled youth, marginalized communities in rural and urban centres, and women.

The structure of the labour market. High population growth is one of the most serious challenges facing governments, as they seek to educate and employ an increasingly young workforce. The public sector, through national bureaucracies and state-owned enterprises, continues to be among the largest employers in the region. Government employment in the ESCWA region is significantly higher than in any other region of the world, as government jobs are often provided to young unemployed graduates. However, ESCWA Member States are gradually accepting the need for public sector reform, and are considering seriously the privatisation of several SOEs. This trend has important implications on job security and on social welfare programmes in the short-term, but it is anticipated that such initiatives would generate new economic opportunities and more employment in the long-term.

The informal sector typically employs a significant part of the population in the region, absorbing large numbers of mainly unskilled labour. The informal sector has grown significantly over the past two decades, and employs now over 30 percent of the labour force in Egypt, Yemen and Jordan. However, due to low labour productivity, the informal sector offers lower real wages than the formal sector, which does little to alleviate poverty.

Labour productivity in the region is also low, and in some countries is declining, reaching only a fraction of labour productivity in other developing countries. Linking labour productivity to real wages in economic terms means, that improvements in real wages can only be realized by improvements in labour productivity.

There is also a disparity between the demand and the supply of labour in most countries of the region, so that the phenomenon of high national unemployment is combined with the import of expatriate labour of different skills. Young, educated individuals tend not to accept low-paying unskilled jobs, as these jobs are perceived to be below the social status associated with education. Furthermore, government jobs guaranteed in the public sector or with military, oftentimes reduce the incentive for higher learning, particularly for young men. The result is higher unemployment among the young and partly educated, little skilled labour associated with continued inflow of migrant labour. This phenomenon is particularly observed in GCC countries,

where labour indigenisation efforts have recently been pursued in order to bolster national employment rosters.

Technical and vocational training. The outputs of the educational systems in the region do not respond adequately to the demands of the labour markets, as the prevailing educational system provides students with few skills that a modern employer needs. Job markets increasingly demand highly skilled labour, with technical skills and experience, which effectively reduces the demand for young graduates entailing a high rate of unemployment, and discourages educated youths.

Poor quality education and inadequate training make it even more difficult for newcomers to secure productive employment. Consequently there is an excess supply of "unskilled and inexperienced" educated job seekers, with an excess demand for highly skilled experienced workers. This trend represents serious structural challenge for governments and for the private sector. While several governments have been more proactively engaged in improving vocational and technical training, to better meet the needs of private sector employers, more is needed to improve the quality of education and to provide students with more technical skills and competencies; particularly in skills in information technologies.

Labour migration. While many parts of the region suffer from rural-to-urban migration and high unemployment, GCC countries have traditionally been net importers of labour. Labour migration trends pose competing challenges for the region, namely: (1) brain drain of skilled nationals -from labour exporting countries- unable to secure adequate jobs or wages at home; (2) nationalization of labour forces in the Gulf countries, which is displacing expatriate labour from other ESCWA countries and reducing income from remittances; (3) the repatriation of expatriate labour during times of civil crisis (particularly to Yemen during the Gulf War and in the Palestinian Territories), placed great pressures for social spending on governments; and (4) the social integration of ethnically and culturally diverse labour force in labour importing countries of the Gulf, who often live in marginalized communities, along urban peripheries with inadequate public services.

Information and communication technologies (ICT). ICT are the driving force propelling globalisation trends, and present exciting economic opportunities and increasing economic efficiency and labour productivity. Since the mid-1990s, regional capabilities in ICT have been improving significantly. For instance, by 1999, GCC countries had an estimated teledensity -of ordinary telephone lines- that was about double the world average. Mobile telephony has grown rapidly; the number of mobile users is expected to exceed the number of fixed telephone subscribers in the next few years in many countries in the region. Access to computers and to the Internet has also risen dramatically. This presents opportunities for leapfrogging into advanced industries and improving labour efficiency in the absence of fixed infrastructure.

Lebanon and many GCC states maintain Internet account growth rates of 8 percent per month. Egypt has become the fastest growing PC market in the world, after China. These trends could serve as important means for accelerating growth and sustainable development, while diversifying the economy. There is a growing conviction that improved public access to local and global information and services networks can help the ESCWA region experience a smooth transition into the new “knowledge-based society” that can support new employment opportunities and environment-friendly growth in the services sectors. The development of Internet technology cities in the UAE, Jordan and Syria serve as models for job creation for educated labour, independent of the oil sector. Internet can also be a key component of technical training and employment strategies for the region’s youth, as most Internet users are under 35 years of age.

IV. IMPACTS ON POVERTY

Traditional approaches to economic growth, unemployment, violent conflicts, structural adjustments, foreign debts and globalisation trends have all contributed to exacerbating poverty in the region. This has increased the financial pressure on governments to balance commitments of economic reform programmes, while seeking to serve the needs of the poor.

The poor segment of the population in the ESCWA region have shared characteristics: (1) many are unemployed or underemployed; (2) employed poor tend to be farmers or have low-wage jobs in the informal sector; (3) many of the poor peoples belong to households headed by women, the elderly, or belong to large-size families; and (4) they tend to be illiterate, or have low levels of education. There is also a higher incidence of poverty in rural areas than in urban areas across the region. Poverty is significantly higher in countries that have faced conflicts, particularly Iraq, Palestine and Yemen. Furthermore, while many ESCWA Member States have grown marginally richer over the past decade, benefits have not necessarily been equally distributed within or between countries. Industrial expansion into non-oil and non-agricultural sectors has also tended to favour the skilled labour force -and the populations in urban centres- and has had little effect on alleviating rural poverty, or on reducing rural-to-urban migration.

Structural adjustments exposed the public sector to competing pressures, namely to assist in reducing unemployment while eliminating workforce redundancies, in order to improve productivity and/or reduce losses, and government subsidies to scale down public expenditures. International pressures are pushing for fiscal and structural reforms thus exacerbating the poverty challenge and increasing the need for social safety nets. Furthermore, government employment is oftentimes the means by which employees receive government subsidies and social benefits. Food subsidies and low water and energy tariffs are other instruments by which governments seek to alleviate

burdens on the poor. The removal of these subsidies -as requested by most structural adjustment programmes- poses serious implications for poverty in the region.

Globalisation and trade liberalisation are also generating secondary effects on poverty. Most SOEs and SMEs are unequipped to face increasing domestic and international competition. Many are increasingly closing their doors or reducing their number of employees, entailing serious implications for social welfare programmes as well.

Poverty and development indices. The 1990s witnessed low per capita and GDP growth rates for the ESCWA region, with many oil-exporting countries registering negative economic growth, due to falling oil prices as well as to the Gulf wars. Only three ESCWA countries registered increase in their capita incomes in the 1990s: Egypt, Syria and Oman. Falling income levels, economic stagnation, reduced spending on social welfare and population growth combined to increase poverty during the 1990s.

Human poverty -defined as deprivation in basic human development- incorporates the impact of poverty on the quality of life and not only the impact on income levels. The Human Poverty Index (HPI) ranges from 22 percent to 34 percent for the ESCWA region. However, lack of accurate and regular data -and problems of comparability between countries using different measurements for poverty- rendered analysis of the region's poverty situation difficult.

Data does show that there is a widening gap between the rich and the poor in ESCWA Member States. For example, in 1999 Egypt had the lowest recorded income inequality in the region with a Gini measuring 28.9 percent, while Jordan had higher income inequality and a Gini of 36.4 percent. However, these figures disguise the regionally widespread phenomenon of the disappearance of the middle class, typically the most dynamic segment of society.

Discrepancies in social status and poverty levels are also pronounced between GCC and non-GCC countries in the ESCWA region. The large majority of people in GCC countries have adequate shelter, access to basic public services, health and education, while significant and growing gaps in meeting the needs of the poor persist in other countries.

The Human Development Index (HDI) in the ESCWA region is also lower than in countries with comparable or lower income levels, pointing out to the region's limited ability to effectively translate wealth and income growth over the past decade into human development improvements. On a regional basis, the gains made from 1960 to 1992 were significant and paralleled the high growth of the period. However, HDI growth during the 1990s stagnated, while the average HDI value for developing countries grew steadily leaving the ESCWA region relatively behind.

Significant differences in HDI performance also exist within the region. According to the UNDP Human Development Index (1999), Bahrain, Kuwait, Qatar, UAE and Saudi Arabia are at the high end of the human development scale, while Yemen, Iraq and Palestine are among the 35 developing countries with the lowest HDI. It is significant to note that Lebanon's HDI is higher than that of Saudi Arabia and Oman, although the per capita incomes of Saudi Arabia and Oman are respectively more than double and triple that of Lebanon. This lag between human development progress and per capita income levels highlights the potential for using available income to enhance human development, particularly in the GCC countries.

The debt burden. Public debt is unevenly distributed within the ESCWA region. GCC countries tend to have low debt burdens, while the non-GCC countries tend to have moderate to high debt burdens. Yemen, Syria, Jordan and Iraq have been classified as severely indebted by the World Bank, while Lebanon and Egypt have been classified as moderately indebted and have recently suffered from tight crunches in foreign reserves. Lebanon, Jordan and Syria have the highest debt to GDP ratios in the region, ranging up to 159 percent of GDP.

The opportunity cost of servicing external debt is great in terms of potential poverty reduction and human development gains. The ability of these countries to educate their youth and keep their people healthy is largely limited by the cost of servicing debt. For example, Lebanon and Jordan accorded 6 percent and 8 percent of GDP to total debt service in 1999, which means that these countries spent more on servicing their debt than they did on health care or education. The debt burden for these countries is a serious obstacle to furthering sustainable development gains.

V. PLATFORM AND PRIORITIES FOR ACTION

Poverty in the ESCWA region is linked to the structure of economic growth, the characteristics of the labour market and the lack of adequate financial resources to support social welfare programmes. Efforts to support poverty alleviation must therefore address the structural causes of unemployment and the unequal distribution of growth and wealth. Most urgently, the region must address the lack of employment opportunities for its burgeoning labour force and reduce its dependence on non-renewable natural resources for growth, through labour-intensive economic diversification. The following platform of priorities for action is based on discussions with regional stakeholders, and is provided to assist the region to better focus efforts to address poverty and unemployment in the region, within the context of moving towards sustainable development over the next ten to twenty years.

A. POVERTY ALLEVIATION AND THE DEBT BURDEN

Economic and social policies should efficiently target low-income groups to achieve better distribution of wealth, by generating better economic opportunities in poor rural

areas, improving social welfare, and promoting employment and equality of opportunity. The debt burden assumed by many of the ESCWA Member States should be reviewed with a view towards ensuring rationality and efficiency in debt management. Benefits and mechanisms of easing of debt burdens, such as debt-for-nature swaps, should be more often used as means for moving closer towards sustainable development.

B. ADDRESSING UNEMPLOYMENT AND LABOUR MARKETS ISSUES

Countries are encouraged to review their educational and training strategies to cope with the demands of labour markets. Governments should develop a broad-based strategy to improve the quality of human resources, which includes the active participation of the private sector and civil society. Economic diversification strategies geared towards building sustainable industries that generate substantial employment opportunities should be intensified. Information technology should be harnessed as a mean to develop the region's human capital, access the globalised markets and advance economic diversification.

C. THE STRUCTURE OF THE ECONOMY AND TRADE

Governments and the private sector are urged to alter the unsustainable pattern of natural resource exploitation as the basis for economic growth. It is necessary to explore ways in which today's benefits of resource exploitation can be extended to future generations, mainly through economic diversification. In order to benefit from trade and globalisation, the ESCWA region must improve national investment climates, improve labour productivity, efficiency, product standards, and align production technologies with international standards. The establishment of Greater Arab Free Trade Area is a first step in developing regional economic integration and accessing global markets in a sustainable way.