

ESCWA's Inputs for the DESA EGM - CSocD60: Session 8

Introduction

This brief note reports on the outcome of two main events that were organized by ESCWA in relation to the COVID impact on poverty in the Arab region. It includes challenges, opportunities in the specific Arab regional context, policy recommendations/ way forward, and some data and analysis to show the impact before and after COVID.

The first event took place on November the 2nd 2020. It was designed as an Expert Group, devoted to present a practical tool to support Arab policy makers in measuring their national poverty rates and accordingly develop responsive social policies. It was attended by representatives from the League of Arab states and Arab Member state countries, mostly officials working in Ministries of social affairs (ESCWA, 2020)¹.

The second event, the Arab Forum of sustainable development, had a particular aim of showing the pace and progress on the 2030 agenda, and to show the impact of COVID-19 on SDG1 in the Arab region. It also covers the measures taken by the Governments to mitigate the impact and conclude with a list of policy recommendations for ensuring and inclusive recovery achieving SDG1 by 2030. It was attended by representative from Member states, ESCWA, UNICEF, UNDP, LAS, UNDRR, ILO and UN-Habitat (ESCWA et al., 2021)².

I- Current situation (Pre-COVID): Review poverty at regional - Arab region:

Poverty and inequality are widespread across the Arab region. Extreme poverty is particularly high in the Arab least developed countries. Conflict, political instability, and displacement in some Arab countries, especially since 2010, have had a strong negative impact on the poor and middle class. Anemic long-term growth, high youth unemployment, and low productivity growth have also characterized the region for over a decade (SDGs 8 and 9). Efforts to tackle poverty have not adequately addressed multiple deprivations, rural-urban and subnational divides, or the accentuated vulnerability of various social groups (SDGs 2,3,4,5,6,7,10,11 and 13) (ESCWA et al., 2021).

- The number of people living in extreme income poverty has dropped by more than half since 1990 in all developing regions, it increased in Arab countries where people are still struggling to secure their basic human needs.
- Money-metric facts - *Proportion of population living below international poverty line (1.9\$)*: 9.4% of Arab population (increase of 13.93% since 2015). While at the world level, it was 8.76% (decrease by 3.69% since 2015, which means an improvement)

¹ Date: 02 November 2020. Subject: Second virtual meeting of the Expert Group on Social Protection Reform. Location: Online - Microsoft Teams. Theme: Poverty, Social Development, Social Protection and Employment. Link: <https://archive.unescwa.org/events/second-virtual-meeting-expert-group-social-protection-reform>

² Date: 29-31 March 2021. Subject: Arab Forum for Sustainable Development, accelerating progress on the 2030 Agenda post-COVID. Location: Online - Microsoft Teams. Theme: Poverty, SDG 1 2030, Social protection, and Employment. In-text reference: (ESCWA et al., 2021)

- Multi-dimensional facts - *Proportion of men, women and children of all ages living in poverty in all its dimensions*³: 41% multidimensional poverty rate in 2017. The Arab countries included in this study account for 75% of the region's population.
- Employment facts - *Proportion of vulnerable employment of total employment*: 25.76% of population was in vulnerable employment in 2019 (a reduction of 1 % since 2000). Compared with the global level which stands at 44.85% of population in 2019 (a reduction of 0.69% since 2000).

II- Approaches and tools to measure: Review existing approaches and tools to analyze and address multiple dimensions of poverty

Following the approaches advocated by ESCWA and DESA, the EGM held in December 2020, approaches the issues from a perspective beyond that of income and wealth, and stimulate a discussion around the drivers of poverty and inequality in the Arab region, policies for targeting the main drivers, and fact-based evaluation of these policies. The EGM aims at reaching a consensus on a common approach to properly design, implement and evaluate inclusive socio-economic policies to reduce poverty and inequality. Various advanced methodological tools were introduced, one of which was the Multidimensional Poverty Index Assist Tool created and currently being developed by ESCWA.

The revised Arab MPI consists of two pillars, five dimensions, namely, health and nutrition, education, housing, access to services, and assets, as well as 14 indicators. The cut-offs of indicators aim at consistently capturing moderate multidimensional deprivation, and the weights of the two pillars recognize the equal importance, and the relative importance of all dimensions and all indicators within each dimension.

- Money-metric poverty - It is important to note the importance of the Arab framework for the eradication of multidimensional poverty, and the significant shift recorded by most countries in terms of poverty measurement. In the 1990s, poverty was considered a physical phenomenon. It is measured in terms of income poverty or spending poverty. However, measuring income poverty is important, but not sufficient in the sense that the income poverty index complements the multidimensional poverty index.
- Multidimensional poverty - As for multidimensional poverty, Amartya Sen expresses it in his saying, "The lives of the poor are threatened by multiple deprivations, each of which has its own significance." The main objective of the multidimensional poverty index is to help countries improve their current standing in terms of policies and their implementation by providing a simplified understanding of poverty, demonstrating progress and indicative planning, and laying foundations accountable. Furthermore, there exist more than 30 household surveys covering 12 Arab countries across two points in time (2000-2021) that shows the abundance of data.
- Tools - The state-of-the-art online platform of the Multidimensional Poverty Index Assist Tool (MAT) created and currently being developed by ESCWA enables state officials to construct an appropriate national multidimensional poverty index (MPI) using advanced diagnostics, with

³ According to national definitions, using the Arab Multidimensional Poverty Index (countries included in this study are Algeria, Comoros, Egypt, Iraq, Jordan, Mauritania, Morocco, Sudan, Tunisia, and Yemen).

transparency and accountability. The MAT empowers states to use their survey microdata to assess the incidence and depth of multidimensional deprivations in population, and is envisioned to help states track their status and growth, and simulate developmental shocks such as the fallout of COVID-19, (ESCWA, 2020).

III- **COVID impact: How COVID and its socio-economic consequences affects poor, and those who are in vulnerable situations**

Poverty challenges have been aggravated by the COVID-19 crisis, with a strong negative impact on the region's poor and middle class. The COVID-19 pandemic and its fallout are having a devastating impact on social and economic development and the wellbeing of people across the region, exacerbating pre-existing deprivations and inequalities. Additionally, the decline in oil prices, protracted conflict, and natural disasters, have weakened their capacity to respond to the pandemic and its repercussions.

- Money-metric measures facts - Relative to the 2019 baseline poverty headcount ratio for the \$1.90 international poverty line (which was 9.4 per cent), the region has suffered a strong setback when estimating the number of people living in extreme poverty. The headcount ratio is estimated to reach 11.2% and 11.7% in 2020 and 2021, respectively, equivalent to 39.6 million and 42.4 million people. In the pre-COVID-19 scenario, the region's 2021 extreme poor population based on the \$1.90 poverty line is estimated at 33.3 million. The pandemic is therefore expected to increase the number of extreme poor in the 14 Arab non-GCC countries by 9 million.
- Money-metric measures facts and forecasts - More specifically and going forward, the proportion of the population living in poverty is projected to increase. Headcount poverty rates are expected to rise to slightly over 32 per cent of the population of Arab middle-income and least developed countries. This brings the projected base case scenario total number of poor to 115 million, the bulk of whom reside in Egypt, Yemen, the Syrian Arab Republic, and the Sudan. The number of extreme poor is therefore expected to grow.
- Multi-dimensional facts - **Multidimensional poverty may also increase in the short and medium terms.** The pandemic's effect on multidimensional poverty is reflected in education disruption and its potential consequences on girls' drop-out rates, and its effects on nutrition owing to disrupted livelihoods and food supply chains. Moreover, overcrowding, poor nutrition, lack of access to sanitation and clean drinking water, lack of clean cooking fuel are all indicators of multidimensional poverty, and people living under those conditions are more vulnerable to contracting COVID-19.
- Employment facts - **Already high unemployment rates are expected to rise further.** An estimated 41 million fulltime-equivalent jobs may have been lost in the first three quarters of 2020.
- Social protection expenditure facts - **The pandemic is highlighting the importance of social protection in Arab countries,** especially in relation to resource allocation in State budgets. Underinvestment in social protection and the exclusion of vulnerable populations remain key

challenges in the region. United Nations data from 2010 to 2018 shows that expenditure on social protection (excluding health care) for Arab countries ranged from 0.3 per cent of their respective GDP to over 10 per cent, with Arab countries ranking lowest compared with all regions.

IV- Temporary measures taken by Governments and policies set in place to address this pressing issue

The pandemic has forced Governments to rethink their fiscal policies and work on increasing their fiscal space in an efficient and sustainable manner to enable adequate, flexible and continual investment in social protection.

Extensive measures were implemented by Arab Governments to prevent declines in consumption owing to disruption in economic activities. These measures were primarily aimed at maintaining income by protecting jobs and extending social protection. The depth and breadth of policy responses varied, with fragile and conflict-affected countries introducing policies that were largely limited in depth and scope. In the absence of adequate policy responses, poverty in those countries is expected to increase more than in countries not affected by conflict.

1. Most Arab governments have upscaled or revamped existing social protection systems. Some measures aimed at continuing health insurance coverage for people who lost their jobs and granting paid sick leave to people forced to quarantine and paid leave to people unable to report to work owing to lockdown. Many Governments have modified or postponed the payment of contributions to social insurance to ease the financial burden on families. Cash transfer programmes have been expanded vertically (increased benefits and pensions) and horizontally to additional population groups, especially to informal workers and day laborer, who were not previously included in poverty-targeted cash transfer programmes. In-kind support included food baskets and ration card subsidies, but also waiving or postponing the payment of utility bills and tax and consumer-loan payments (ESCWA et al., 2021).

2. Most Arab countries have provided support to enterprises at risk of collapse from the effects of the pandemic, such as the tourism, industry, agriculture, and construction sectors. The Governments of Algeria, Djibouti, Iraq, Jordan, Morocco, the State of Palestine, Tunisia and GCC countries have introduced measures to enhance financial liquidity, such as postponing loan repayments, rescheduling taxes, providing price cuts on utility bills and tax relief, reducing tax rates and preferential interest rates, providing guarantees on low interest loans to the tourism sector, and allowing rent exemptions. Furthermore, some Government introduced measures aimed at protecting jobs and incomes, including lowering energy costs for the industrial sector, providing subsidy pay-out for exporters, offering aid to selected firms to sustain labor and input costs, increasing credit limits for businesses to support working capital and salary payments, and providing short-term loans to secure liquidity for operational expenses. For instance, in the State of Palestine, the Government disbursed aid to labourers affected by the pandemic, extended

unemployment benefits, offered soft loans and credit facilities to small and medium enterprises, and eased up policies on debt and tax payments (ESCWA et al., 2021).

V- Long-term effect on SDG 1, related to poverty reduction

A detailed review of the Arab region revealed that SDG 1 targets will not be met by 2030 for the following social groups, whose vulnerability has been amplified by the pandemic.

Women: With an already low level of participation in the labor market, women in the region have borne the economic brunt of the crisis. Around 700,000 jobs held by women are expected to be lost as a result of the pandemic, with more women falling into poverty, which will disproportionately impact female-headed households.

Children: Evidence shows that children are overrepresented among the population living in monetary poor households. Children's multidimensional poverty is also particularly high, and the prospects of their lifelong achievements are imperilled by diminished access to nutrition, health and education during the pandemic

Older persons: The pandemic has heightened the vulnerability of older persons, increasing their risk of medical complications and income insecurity, as they have a higher prevalence of non-communicable diseases than other age groups and often rely on low and irregular income, such as pensions and financial support from their families

Persons with disabilities: The pandemic also heightened the vulnerability of persons with disabilities, many of whom have underlying health conditions, are facing significant disruptions to their usual support system, and are typically less protected by social and health insurance owing to exclusion from formal work

Migrant workers: Vulnerable migrant workers across the region, including female domestic workers, suffer exploitation and potential lack of access to health care. Although data on the extent of discrimination against migrants are scarce, abuse and discrimination against them have been reported in many Arab countries. As businesses closed during lockdowns and household incomes shrunk, vulnerable migrant workers were dismissed, forced to take unpaid leave or, in some cases, denied their wages.

Refugees and internally displaced persons (IDPs): Overcrowded refugee and IDP camps have put these populations at particular risk of exposure to COVID-19 and its socioeconomic consequences.

VI- Long-term plans – policy recommendations for ensuring and inclusive recovery and achieving SDG 1 (2030 goals)

Decades of progress in the fight against poverty and inequality are being reversed, leaving many more people behind, and negatively impacting the ability of Governments to achieve the 2030 Agenda and the Sustainable Development Goals. The region is clearly off-track on SDG 1.1.

The following are policy recommendations that need to be implemented on the long-term to eradicate poverty in the post COVID era, facilitate the COVID-19 recovery, and enhance resilience to future shocks and crises:

- Formulate relevant indicators and systematically collect quality data.
- Strengthen support to Arab least developed countries in line with global commitments and action plans.
- Reconnect macroeconomic policies to social development.
- Design and implement comprehensive, universal, and rights-based gender-responsive social protection systems.
- Invest in human capacity, especially in children and young people, to enable them to pursue opportunities for sustainable livelihoods, and to end intergenerational poverty.
- Ensure digital inclusion to enhance digital financing options for marginalized groups, such as migrants and refugees, and to increase access to and use of basic services.
- Link humanitarian aid with long-term sustainable development and strengthen support to conflict-affected and crisis-affected countries.
- Link multidimensional poverty and deprivations with policies that target social justice, including social protection (ESCWA, 2020).
- Evaluate the objective of policy responses in terms of targeting the needs of individuals and societies/communities.
- Ensure the understanding of social justice as an integrated system of rights for human beings.
- Implement a drastic review for the capacity of a country's response to policies that were shown to be insufficient in response to COVID-19 (ESCWA, 2020).