

**ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA (ESCWA)**

**INCLUSIVE SOCIAL DEVELOPMENT**

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## **Executive summary**

Chapter I outlines the research questions and report themes, approach and methods used to compile the report.

Chapter II provides an examination of the concept of inclusive social development (ISD). This is followed by a conceptual framework for understanding how policymakers can generate an ISD approach. It explores how the concept of ISD is relevant to the current social and economic context and challenges of the region and how these may be better understood and tackled. The chapter offers the basis for a narrative that seeks to link the key issues addressed throughout the report and how socio-economic challenges must be understood and addressed in a more holistic manner by policymakers.

Chapter III examines the major influence on generating economic and social inclusion, namely, the labour market. Throughout academic, policy and public discourse, the region has become known to be dominated by significant gendered divisions of labour, with low female participation rates; high levels of unemployment, particularly among young people and women; low wages and skill levels; a lack of employment protection; and a large informal employment economy. More recently, the issue of foreign migrant workers has highlighted policy gaps and the precarious nature of these workers who often make up large segments of the national workforce in comparison to nationals. A number of case studies from the countries of the Gulf Cooperation Council (GCC) and countries which have successfully introduced active labour market programmes (ALMPs) are detailed to help understand these issues and possible policy responses to them.

Chapter IV depicts the institutional framework for the provision of social protection in the Arab region, accounting for the historical background and discussing the differences between contributory and universal systems. Building upon the insights from chapter III, this chapter shows how social insurance schemes generally exclude large sections of the populations. It also makes evident the ineffectiveness of many social assistance programmes, illustrating how their benefits have often largely accrued to the relatively affluent. This chapter, in addition, accounts for the diversity of social protection providers, illuminating the significant role played by civil society actors.

Chapter V moves the focus to the accompanying ISD components of education and health care, in particular, ensuring that vulnerable groups have access to good quality and affordable health-care services and education systems. This chapter discusses the importance of education and health care for promoting social mobility, reducing poverty and securing health and well-being. It shows that provision of accessible and adequate social service are often lacking in the Arab region. Health services are in many countries associated with large out-of-pocket payments, and are unable to cope with the challenges facing them. Although the region has made great advancements in terms of literacy and school enrolment, this chapter shows that education is often of poor quality, and that large sections of people remain disfavoured in terms of outcome.

Chapter VI analyses the role of housing and access to land as the physical and geographical embodiments of ISD. Rapid population growth has given rise to increased urbanization in many countries. In conjunction, homelessness and the numbers of people living in poor quality housing and slums has greatly increased, thereby compounding issues of social exclusion, ill health and low levels of social cohesion within urban areas. This chapter examines how access to housing and associated costs has become a major barrier for developing ISD and promoting economic growth. While the cost of housing and rental prices have increased, wages have stagnated and in many cases have decreased, thereby effecting rates of social mobility, levels of community cohesion within countries and further accentuating the marginalization of population groups. Case study examples are explored, including, for example, recent initiatives in Morocco to renovate slum housing and to reduce the proportion of those living in poor quality housing and slum dwellings.

Chapter VII discusses how a lack of action on the key drivers of ISD may result in the decline of trust and social cohesion within and between societies in the region. The issue of social cohesion as a concept and policy aim is highly contested throughout the world with very few operationalized and reliable indicators. This chapter discusses the meaning of social cohesion, and – taking into account governance structures and the historical processes which have given rise to these – its relevance with regard to the Arab region. Doing so, it presents evidence from sources, such as attitudinal surveys, in order to suggest ways of measuring social cohesion in Arab countries.

Chapter VIII concludes the report. It examines the key policy lessons that have arisen throughout the report and seeks to provide a set of recommendations and policy options or pathways that can be adopted in the design and implementations of more socially inclusive development approaches. Attention is given to the potential future challenges to this approach, including regional instability, the role of public opinion and acceptability towards the introduction of social and economic reforms.

## ABBREVIATIONS AND GLOSSARY OF KEY TERMS

AFSD	High Level Arab Forum on Sustainable Development
ALMP	Active labour market programme
ECCE	Early childhood care and education
GCC	Gulf Cooperation Council
GDP	Gross domestic product
ILO	International Labour Organization
IMF	International Monetary Fund
ISD	Inclusive social development
MDG	Millennium Development Goal
NGO	Non-governmental organization
OECD	Organisation for Economic Co-operation and Development
OHCHR	United Nations Office of the High Commissioner for Human Rights
OoPP	Out of pocket payments
PIRLS	Progress in International Reading Literacy Study
PISA	Programme for International Student Assessment
SDG	Sustainable Development Goal
SME	Small and medium enterprise
SPF	Social protection floor
SSN	Social safety net
TIMSS	Trends in Mathematics and Science Study
UHC	Universal health care
UNDP	United Nations Development Programme
UN-Habitat	United Nations Human Settlements Programme
UNRWA	United Nations Relief and Works Agency
Active labour market programmes (ALMPs)	ALMPs seek to improve the labour market prospects of those targeted and include such initiatives as public employment services, employment subsidies, training programmes, public works programmes, as well as support for start-ups and entrepreneurship.

Civil society	This represents social groups that seek to advance common interest, usually out of common values. These often emanate from religious beliefs but can also be of other nature, such as political goals, purely charitable goals or a combination of several.
Faith-based organization	This report adopts a wide definition of faith-based organizations, subsuming all organizations that use or promote elements of their faith in their operations; organizations that are, among other reasons, driven by their faith and often draw large parts of their funding from donations that people make out of their faith.
Informal economy	The informal economy refers to activities and income that are partially or fully outside government regulation, taxation and observation. Within the context of this report, informality is defined as workers who do not contribute to social insurance systems.
<i>Kafala</i>	This is a labour market institution most commonly mentioned in relation to GCC countries. It sets the framework for the relationship between employers, who typically function as sponsors, and immigrant employees.
Labour force	The labour force participation rate is a measure of the proportion of a country's working-age population (normally above 15 years of age) that engages actively in the labour market either by working or looking for work. It provides an indication of the relative size of the supply of labour available to engage in the production of goods and services. The labour force is the sum of the number of persons employed and the number of unemployed (individuals without working who are available for work and looking for work).
Out-of-pocket health expenditure	Any direct outlay by households, including gratuities and in-kind payments to health practitioners and suppliers of pharmaceuticals, therapeutic appliances, and other goods and services whose primary intent is to contribute to the restoration or enhancement of the health status of individuals or population groups. It is a part of private health expenditure.
Rights based approach	<p>All individuals are equal as human beings and by virtue of the inherent dignity of each person. All human beings are entitled to their human rights without discrimination of any kind, such as race, colour, sex, ethnicity, age, language, religion, political or other opinion, national or social origin, disability, property, birth or other status as explained by the human rights treaty bodies.</p> <p>In a human rights-based approach, human rights determine the relationship between individuals and groups with valid claims (rights-holders) and State and non-governmental actors with correlative obligations (duty-bearers). It identifies rights-holders and their entitlements and corresponding duty-bearers and their obligations, and works towards strengthening the capacities of rights-holders to make their claims, and of duty-bearers to meet their obligations.</p>

Social protection	This denotes the provision of in-cash or in-kind benefits which directly or indirectly seek to ensure income security and access to essential health care. Social protection can be contributory, in which case it is termed social insurance; or non-contributory, in which case it is often labelled social assistance or social safety nets. Social security is sometimes given a more narrow meaning than social protection, but this report – following the example of the International Labour Organization – uses the two concepts interchangeably.
Social protection floor	Social protection floors are nationally defined sets of basic social security guarantees that should ensure as a minimum that, over the life cycle, that all those in need have access to essential health care and to basic income security which together secure effective access to goods and services defined as necessary at the national level.
<i>Waqf</i>	This is a religious endowment where the donor gives away some of his or her wealth and determines the purpose and beneficiaries of the endowment.
<i>Zakat</i>	This represents a levy on wealth, which is considered as a religious obligation in Islam and one of the five pillars of Islam. It varies by wealth position, but is roughly speaking 2.5 per cent.

## I. INTRODUCTION AND AIMS OF THE REPORT

The uprisings of 2011 have affected the entire Arab region – politically, economically and socially. The sense of public optimism and hope that called for social inclusion, economic reform and increased social justice has largely been replaced by political instability and conflict. Governments in the region now face considerable challenges in embarking on social reforms while trying to reconcile competing policy demands and public opinion. Yet within this current transition period there are opportunities to reshape and help guide future social policy trajectories of Arab States in order to ensure that new development and growth is both inclusive and sustainable for all.

Many of the short- and long-term vulnerabilities which influenced the 2011 uprisings remain and continue to pose challenges to the development and social policy agendas post 2015. These include increasing levels of unemployment and poverty, a rising burden of communicable and non-communicable diseases and, above all, an increasing socio-economic gap between citizens. Moreover, these have now been compounded by conflict in various countries and large-scale demographic change as a result of mass refugee movements. These transitions and conflict-related crises have exposed the fragile nature of many of the region's social and economic systems. In addition, a middle class that had largely been politically quiet over the past 20 years is now demanding greater accountability and action to tackle vulnerabilities both for themselves and for those who have been left behind as a result of deregulation and laissez-faire economics.<sup>1</sup> In fact, as a recent ESCWA publication proposes, the middle classes of the Arab region could act as the key conduit for a new model of social change and development which is socially inclusive.

The task now for Arab countries is to address these vulnerabilities and ensure that future development goals are sustainable and inclusive in order to be effective. This involves governments delivering better quality public services, more equitable access to resources and ensuring the integration of vulnerable and marginalized groups into society via increased levels of social protection and more balanced economic growth. Across the region, policymakers and key development stakeholders are searching for guidance and evidence on how these issues may be addressed to generate development that is inclusive, sustainable and socially just. They have now realized that in order for government policy to be effective they must move away from rewarding privilege towards promoting social solidarity. This is solidarity between the State and the public and also between citizens themselves.

The aim of this report is to provide these policy constituents with a comprehensive mapping and analysis of the key issues which can be used to identify the most important social and economic issues that need to be addressed and act as a guide for the development of social inclusion and social justice in the Arab region. This evidence base and recommendations arising from the report will be used to facilitate the design of strategies and policies which may assist in enhancing the social inclusion and well-being of vulnerable groups within societies. As the report proposes, this requires cross-cutting policy action to reduce the social and economic difficulties that individuals face in the labour market, education systems and improving an individual's ability to access good quality and affordable health care. There must be a move away from a sole focus on the market as a panacea for all social and economic problems. By addressing the core components and drivers of social inclusion and not just economic growth, governments and policymakers can be confident of creating more socially just and cohesive societies.

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<sup>1</sup> ESCWA, 2014a, p. 14.

## METHODOLOGY

The report is a desk-based review of key research reports and empirical studies, which were accessed via United Nations agencies, academic research organizations and regional government departments. Literature and evidence searches were conducted using academic search engines. Given the breadth of the issues covered, the review did not attempt to conduct primary research or in-depth statistical analysis of existing secondary datasets from the region. The review does, however, offer recommendations for potential avenues of research for the future analysis of existing secondary data and the collection of primary information.

The report has also accessed unpublished research reports from United Nations agencies, particularly ESCWA, and key policymakers as well as those working within the development community in the region. An ISD stakeholder workshop was held at ESCWA headquarters (Beirut, 4-5 November 2014) in which new and forthcoming studies were highlighted and which were subsequently used in this report. The objectives of the report are as follows:

- (a) To map the key issues of inclusive social development in the Arab region;
- (b) To discuss the current status and gaps within each of these issues;
- (c) To provide policymakers and regional governments with guidance and possible policy responses for the design of more socially inclusive development.

As far as the measurement of progress and shortfalls are concerned, the framework adopted in this report uses the Millennium Development Goals (MDGs) as proxy indicators of inclusive social development, while highlighting the gaps and areas that are not covered and/or recommending revisions and addition of other relevant indicators. Where possible the report will also highlight how non health sector social policies and interventions have and can impact the health well-being of the targeted populations. The definitions of indicators and data used in this report are derived from the 2013 ILO key labour market indicators database.

Throughout the report, appropriate case studies are taken from regional and international examples. These have been selected from existing research and reviews and are used to highlight policies and interventions that have worked and not worked. They have not been systematically selected according to their development outcomes and effectiveness. Key principles and mechanisms are drawn from these case studies for creating more socially inclusive approaches to development in the region. It should be noted, however, that adopting and transferring policies and interventions in a blanket manner from one context to another should be undertaken with caution. Too often in the region decisions makers have taken interventions from contexts and policy regimes which are often very different from their own. For this reason the report and any recommendations provided should be taken as a framework and guide rather than as prescriptive for the design and implementation of policy options.

## II. THE CONCEPT OF INCLUSIVE SOCIAL DEVELOPMENT AND ITS RELEVANCE TO THE ARAB REGION

The challenges to building sustained inclusive development are now greater than at any time in the recent past. Worldwide, the financial crisis of 2008 has led to various degrees of fiscal austerity in many countries which has threatened investments in policies related to social and economic development as well as poverty reduction at a time when they are most needed. Some Arab countries were indirectly affected as trading partners and exporters. In the Arab region, the 2011 uprisings, at least in countries that managed to avoid descending into violence, have put governments under pressure to introduce social and economic reforms. Public and political discourse has become populated with debates concerning solidarity, social cohesion and stability as well as safeguarding and preventing the depletion of human capital. However, fiscal constraints created many obstacles to addressing these concerns. This illustrates both the challenges and opportunities in generating and sustaining policy commitment and investment towards ISD. This chapter discusses the process of achieving ISD; and a guide is provided for the purpose of illustrating how an approach to ISD can be understood and strengthened.

### A. DEFINING THE CONCEPT OF INCLUSIVE SOCIAL DEVELOPMENT

This chapter summarizes and presents the normative framework against which the core issues of inclusive social development discussed throughout the report will be examined. The report uses international normative documents of the United Nations, including the international Development Agenda, the Copenhagen Summit 1995, the Millennium Declaration and MDGs, the Rio+20 outcomes and its deliberations, as well as international human rights instruments signed and ratified by the majority of countries included in the analysis as the main normative framework. Such a framework has the advantage of being explicitly accepted by countries, in the case of human rights instruments,<sup>2</sup> given that a ratification of such instruments involves a legal obligation to meet its dispositions or, as in the case of the Millennium Declaration and MDGs, at least politically accepted. As a result, ISD can be defined and evaluated following the documents of the World Summit for Social Development in Copenhagen; whereas the linkages between economic, environmental and social aspects of sustainable development can be assessed in the light of the Rio+20 United Nations Conference.<sup>3</sup>

There have been various initiatives over the past five years aimed at generating alternative measures of growth and policy success. These have highlighted the limits of gross domestic product (GDP) as an indicator of economic performance and social progress, including the problems with its measurement. There have been numerous attempts by academics and policy communities to provide rigorous complementary measures of policy impact and growth, including, most notably, the Commission on the Measurement of Economic Performance and Social Progress.<sup>4</sup> The Commission noted the discrepancies between what is measured by GDP and what counts for people's well-being. The report advocated, among others, the urgent need for a shift from the "production-oriented system" of measurement towards a system that rather emphasises the well-being of both current and future generations.<sup>5</sup>

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<sup>2</sup> Such a framework makes the assumption that what constitutes a "good society" is one in which the rights of individuals (civil, political, economic and social) are promoted, protected and fulfilled. For example, the International Covenant on Social, Economic and Cultural Rights also stresses "the right of everyone to the enjoyment of the highest attainable standard of physical and mental health" (Article 12) as well as "the rights of everyone to free and compulsory primary education, progressive free secondary and vocational education as well as equitable access and progressively free to higher education" (Article 13).

<sup>3</sup> The Rio+20 United Nations Conference, held in June 2012, acknowledged the need to integrate the economic, social and environmental aspects of sustainable development. It stressed that sustainable development must be "inclusive and people-centred, benefiting and involving all people, including youth and children" (United Nations General Assembly, 2012). The inclusion of all social groups in its discussions of thematic areas and cross-sectoral issues was paramount.

<sup>4</sup> This is also known as the Stiglitz-Sen-Fitoussi.

<sup>5</sup> Commission on the Measurement of Economic Performance and Social Progress, 2009, pp. 21-41.

Similarly, the concept of inclusive social development can also be assisted from wider conceptual frameworks, such as that of the World Health Organization's Social Determinants of Health (SDH). This enables policymakers to assess holistically how a wide range of social and economic policies may impact upon the health and well-being of those groups targeted. It allows decisions from different government departments to "buy-in" on such an issue as health and to consider critically how they can work together to generate positive improvements that are beneficial to each and that can improve the health and well-being of citizens.

In the light of the above, the concept of social inclusion and inclusiveness can thus be thought of as "a society for all ... in which every individual, each with rights and responsibilities, has an active role to play".<sup>6</sup> Furthermore, its concern should be to encourage "processes of change that lead to improvements in human well-being, social relations and social institutions, and that are equitable, sustainable, and compatible with principles of democratic governance and social justice".<sup>7</sup>

The issues of access to good quality health and education services as well as supporting gender equality rights form key components of such a perspective of inclusive development. Above all, it embodies the original calls of the 2011 protests and advocates "respect for the values of equality, equity, rights and participation, as well as social and economic justice".<sup>8</sup> Such overarching concepts as participation, civic engagement and integration are complementary to the social and economic components and abovementioned rights and are viewed as outcomes of their achievement. It is clear that there are many overlapping and interrelated mechanisms which are required in order to generate development and growth that is inclusive. ISD and social cohesion are broad concepts with many constituent parts and determinants.

Many of the determinants of ISD, equity and inequity are shared priorities for a number of policy sectors, government and society. This incorporates "goals such as social inclusion/cohesion, poverty reduction, sustainable development and community resilience, that is, the ability of communities to successfully manage social, economic and environmental 'shocks'".<sup>9</sup> These are outcomes or goals that policy and decision makers from across government can converge upon and find common interest. For example, there is now a large body of evidence to demonstrate that health and well-being are economic assets and vital determinants of economic growth.<sup>10</sup> As a result, individual health and well-being have now become important components and shared policy goals of ministries of health, but also treasuries and social affairs and labour. However, equal consideration must be given to each strategic level factor in order to ensure that benefits are generated for all. Without holistic and joined-up policy action on each of the components of ISD addressed within this report, development and growth policies run the risk of excluding vulnerable groups and further entrenching existing privilege and widening inequalities.

According to Sen (1999), cohesion is defined as a context in which individuals possess and have access to social and economic capabilities and opportunities which enables them to participate successfully within their neighbourhood, community and society at large.

Each chapter of this report looks at a key components of sustainable ISD. The components considered are as follows:

- (a) The labour market – employment and unemployment;
- (b) Social protection;
- (c) Health and education services;
- (d) Access to housing and land;
- (e) Social cohesion.

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<sup>6</sup> United Nations Department of Economic and Social Affairs, 2007, p. 3.

<sup>7</sup> United Nations Research Institute for Social Development, 2011, p. 2.

<sup>8</sup> ESCWA, 2014a, p. 117.

<sup>9</sup> World Health Organization, 2014, p. 12.

<sup>10</sup> See, for example, World Health Organization, 2014; and Suhrcke and others, 2007.

## B. RELEVANCE OF INCLUSIVE SOCIAL DEVELOPMENT FOR THE ARAB REGION

As regional governments begin to focus on the creation of Sustainable Development Goals (SDGs) post 2015, decision makers must consider how to build upon the successes and tackle the gaps in progress arising from MDGs.<sup>11</sup> A series of consultative dialogues on the post-2015 development agenda were held in 2013 and 2014 at regional and global levels, which led to the creation of the Arab High Level Forum for Sustainable Development (AFSD) in Amman in April 2014. These priorities are consistent with the framework outlined above, namely: eradicating poverty, tackling unemployment, improving healthcare provision, and providing quality education for all. Gender equality, water and sanitation, food insecurity, sustainable and inclusive cities and settlements, peaceful societies and effective institutions, as well as global partnerships for sustainable development have now been added as key goals.<sup>12</sup>

In the wake of the Arab Spring, one of the main lessons learned is that public demands for dignity, freedom and social justice must now form key elements of social and economic policy agendas. The narrow focus on growth and economic development cannot alone help to generate development that is socially inclusive. A transformative model of social policy is urgently needed to encompass both the priorities carried over from the MDG agenda and the additional goals, the public demands of 2011 and strategic issues noted throughout this report.<sup>13</sup>

In this regard, United Nations dialogues have given rise to a call across countries for a universal agenda which engages all social groups, in particular the marginalized, such as refugees, informal and migrant workers and persons with disabilities. Good governance and supporting the middle classes throughout the region are now being promoted as key requisites for sustainable and inclusive development goals.<sup>14</sup> It is proposed that the middle class can act as key constituent agents or blocs in helping to promote more socially just public policies.<sup>15</sup> There also now appears to be a greater focus on reducing inequalities by diversifying economic structures, reforming governance structures and promoting productive and living wage employment. United Nations agencies and regional policymakers are beginning to place emphasis on previously marginalized groups, including refugees and internally displaced persons (IDPs), persons with disabilities and youth. Within this framework, civil society is expected to take on a more significant role in monitoring as well as in implementing social policies. Human rights, democracy and the rule of law are promoted in an effort to combat corruption and support social inclusion.

However, such dialogues have not stressed the need for a new model focused on political transformation as a prerequisite for inclusive development or growth. As the Arab MDG report of 2013 notes, the predominance for decades of rentier economies delayed the transition towards more transparent forms of governance.<sup>16</sup> Attempting to overcome this path dependency and reconcile the desire for stability with the need for economic development that is socially just and inclusive is a challenge that cannot be quickly addressed.

There is also a realization that the region currently faces a multitude of challenges which will affect the design, implementation and above all the feasibility of any new agenda, including SDGs. In many

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<sup>11</sup> For an in-depth discussion of the key social and economic trends in the region, see, for example, United Nations and League of Arab States, 2013; and ESCWA, 2009b.

<sup>12</sup> ESCWA, 2014b.

<sup>13</sup> United Nations Research Institute for Social Development, 2011, p. 6.

<sup>14</sup> This report adopts a broad definition of governance, viewing it as a concept that encapsulates both abstract, institutional processes or formal rules, and the power relationships in society that may have a critical bearing on development and policy outcomes. For a discussion, see World Health Organization, 2014.

<sup>15</sup> ESCWA, 2014a, p. 14.

<sup>16</sup> United Nations and the League of Arab States, 2013, p. 57.

countries, conflict and political transitions in addition to fuelling instability present significant constraints on fiscal space which may determine the ability of countries to engage actively and invest in social protection and welfare reform that would provide the context for more inclusive development policies.<sup>17</sup> Such countries as Lebanon and Jordan, which were struggling to meet citizens' needs before the onset of the crisis in the Syrian Arab Republic and the influx of millions of refugees, now face even greater challenges in supporting the welfare of their own citizens while at the same time assisting large numbers of refugees.

The development of new indicators has led to an increased focus on qualitative and quantitative goals, and targets as well as the use of more qualitative and broader measurement techniques and indicators.<sup>18</sup> As noted above, well-being and health are increasingly considered as possible measures of policy impact and effectiveness, although there remains considerable debate as to their appropriate usage and operationalization within impact evaluations in developed and developing world contexts.<sup>19</sup> The concept of subjective well-being itself also remains widely debated.<sup>20</sup> Within the new the SDG approach, countries are expected to be able to set their own context-specific targets, based on what is most relevant to their population, and to test different development strategies relevant to specific contexts.

AFSD, in collaboration with other stakeholders, continues to review the priorities and challenges specific to the region, and helps to provide political impetus to sustainable development in Arab countries.<sup>21</sup> It has also been working to promote and facilitate regional integration, on the premise that sustainable development is beyond the capacities of one single country in isolation. High-level consultations continued through 2015, with the second AFSD Forum, which took place in May 2015 in Manama.<sup>22</sup>

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<sup>17</sup> Sarangi, 2014.

<sup>18</sup> Fukuda-Parr, 2013, p. 29.

<sup>19</sup> OECD, 2013.

<sup>20</sup> For a fuller discussion, see multiple chapters in Huppert and Cooper, 2014.

<sup>21</sup> ESCWA, 2014b.

<sup>22</sup> ESCWA and others, 2015.

### III. INCLUSIVE LABOUR MARKETS

It is evident from research over the past 20 years that economies in the Arab region are generally characterized by labour market rigidities, low demand and low levels of enterprise creation.<sup>23</sup> Comparatively good work conditions and benefits systems in public sectors and civil service in the majority of countries have distorted incentives, undermined entrepreneurship among educated youth, and lengthened the queue for public sector employment.<sup>24</sup> Within the context of highly segmented labour markets, the prevalence of worklessness in Arab States is higher than in any other middle-income region, with relatively large shares of the working-age population unemployed or economically inactive.<sup>25</sup>

Public sector employment accounts for more than one-third of total employment in several Arab countries, including Egypt and Iraq.<sup>26</sup> Besides agriculture, the public sector provides important shares of female employment, and has also historically been the largest employer of nationals in the GCC subregion.<sup>27</sup> The public sector effectively employs over 87 per cent of Qataris, 86 per cent of Kuwaitis and 72 per cent of Saudis who are in employment.<sup>28</sup>

On average, wages in the public sector are around 30 per cent higher than private sector wages.<sup>29</sup> Government wage bills in the region as a percentage of GDP is likewise nearly double the global average of 5.4 per cent.<sup>30</sup> Higher benefits and shorter working hours in the public sector are especially attractive for female employment. Institutional constraints and regulations, weak access to credit, poor infrastructure and high labour taxes all serve to curtail SME growth and competitiveness, thereby impeding the development of a sustainable business sector.<sup>31</sup>

The employment outlook and health of the labour market in a country have direct implications for all social policies, particularly those aimed at generating inclusive development, given that most of the formal social security schemes in the region are contingent on the employment status. This chapter explores the links between employment and inclusive development through the main indicators of decent work. Decent work in this report is considered a strategic concept. To measure inclusive development implies directly measuring decent work given that it encompasses almost all of the components discussed throughout this report, including the economic and social context, employment, productivity, social protection for both workers and their families, dignity, poverty and inequality. ILO defines decent work as “opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity”.<sup>32</sup>

#### A. LABOUR FORCE PARTICIPATION

The labour force participation rate reflects the proportion of a working-age population in a country or a region “that engages actively in the labour market, either by working or looking for work; it provides

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<sup>23</sup> For a recent discussion of the challenges facing Arab economics, see International Labour Organization, 2012a.

<sup>24</sup> Angel-Urdinola and Tanabe, 2012, p. 3; and O’Sullivan, Rey and Mendez, 2012, p. 6.

<sup>25</sup> International Labour Organization, 2012a, p. 23.

<sup>26</sup> Angel-Urdinola and Tanabe, 2012, p. 14.

<sup>27</sup> Baldwin-Edwards, 2011, p. 15.

<sup>28</sup> Ibid.

<sup>29</sup> International Monetary Fund, 2012.

<sup>30</sup> Ibid.

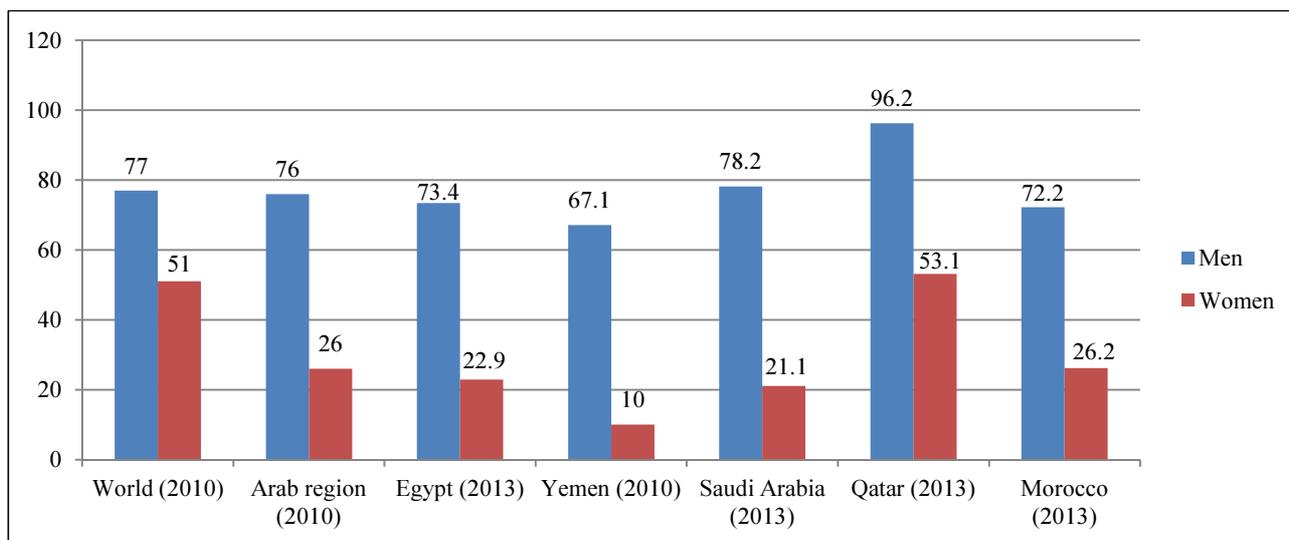
<sup>31</sup> Angel-Urdinola and Tanabe, 2012, p. 3.

<sup>32</sup> International Labour Organization, 2007, p. 1.

an indication of the size of the supply of labour available to engage in the production of goods and services, relative to the population at working age”.<sup>33</sup> Moreover, it “is calculated by expressing the number of persons in the labour force as a percentage of the working age population. The labour force is the sum of the number of persons employed and the number of unemployed”.<sup>34</sup>

Men in the Arab region are far more likely than women to partake in the labour force. Indeed, as figure I makes evident, the gender divergence is much more pronounced in Arab countries than in the world at large: whereas the male labour force participation rate conforms to the global average, the female counterpart is about half the global average, thereby implying that the overall rate for the Arab region is quite low, too, falling in between the male and female rates.

**Figure I. Labour force participation rate by gender in the world, the Arab region and selected Arab countries**



Sources: International Labour Organization, 2012a, p. 50; and ILOSTAT Database: Country Profiles.

The low participation among women may be explained by the traditional division of labour prevailing in the region whereby men are more likely to engage in the labour market and women are largely responsible for household work and childcare.<sup>35</sup> However, female labour force participation rates have been increasing over time in the region, which suggests a changing pattern with regard to this indicator on inclusion.<sup>36</sup> It should, however, be noted that this increase often stems from the changing patterns of female work in agriculture, that rates vary from a country-to-country and may exhibit patterns that differ from the overall regional picture.

## B. UNEMPLOYMENT

The region has become synonymous with unemployment and economic exclusion. In 2013, unemployment rates in the region reached at least double the world average. One key statistic for which the region has become known relates to youth unemployment, which is the highest in the world.<sup>37</sup> Arab youth

<sup>33</sup> International Labour Organization, 2014a, p. 29.

<sup>34</sup> Ibid.

<sup>35</sup> See, for example, the discussion by Hayo and Caris, 2013.

<sup>36</sup> International Labour Organization, 2012a, p. 50.

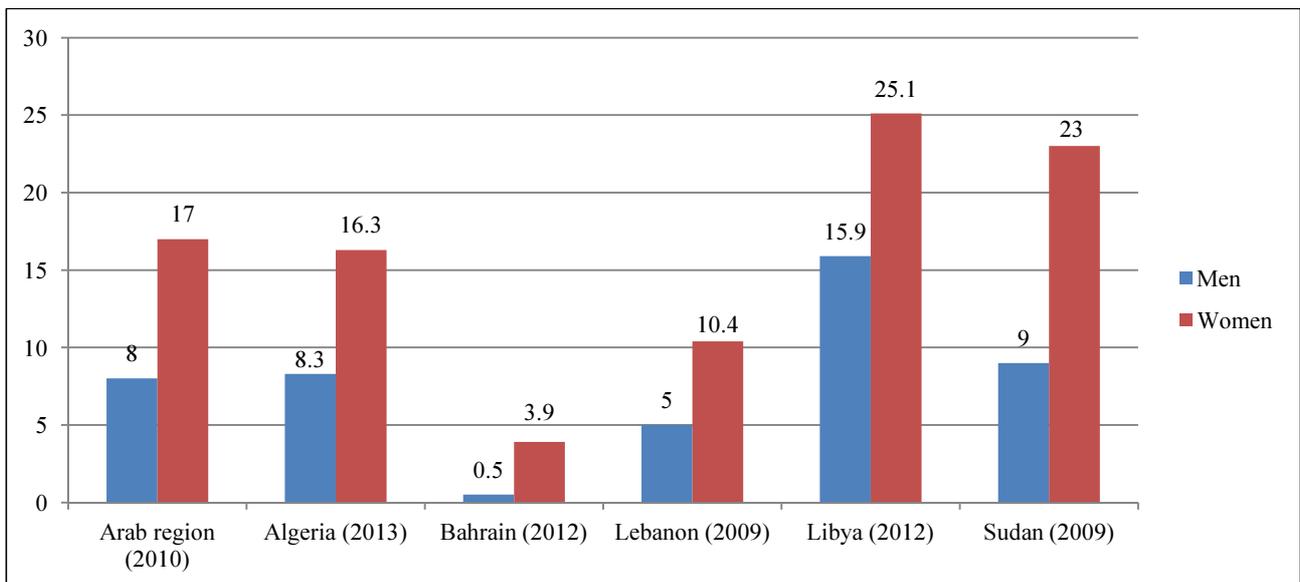
<sup>37</sup> International Monetary Fund, 2014a.

unemployment became a serious policy and development issue from the early 1980s and has worsened over the past two decades. For example, “for every new job created in the 1980s there were two new entrants to the labour market reaching working age, and by the late 1990s for every new job there were four new jobseekers”.<sup>38</sup>

Youth unemployment rates in the region are positively correlated with higher educational levels.<sup>39</sup> As many as 43 per cent of tertiary education graduates are unemployed in Saudi Arabia, as are 24 per cent of graduates in Palestine, 22 per cent in the United Arab Emirates and Morocco, 14 per cent in Tunisia and over 11 per cent in Algeria.<sup>40</sup> Whereas the school-to-work transition takes on average less than two years in developed countries, in the Arab region young people take more than five years on average to enter into the formal labour market.

Looking at long-term trends, unemployment rates remain among the highest in world.<sup>41</sup> According to ILO estimates, adult unemployment rates have consistently been double the global average. While the world average remained stable around 6 per cent between 1991 and 2013, the rate in the region ranged between 10.9 per cent and 11.1 per cent in the same period, peaking in 2000. In North Africa, the rates were even higher, ranging from 13.4 per cent in 1991 and peaking in 2000 at 15.3 per cent. This decreased to 12.3 per cent in 2013. It follows from these figures that the region suffers from chronic structural unemployment. The high regional average unemployment rates are largely a consequence of unemployment being extremely common among women partaking in the labour force, as illustrated in figure II. The fact that few women participate in the labour force combined with the fact that so many of those who do are unemployed implies that the female employment rate – that is, the proportion of women within the total working-age population who are in work – is extremely low.

**Figure II. Unemployment rate by gender in the Arab region**



Sources: International Labour Organization, 2012a, p. 50; and ILOSTAT Database: Country Profiles.

<sup>38</sup> Arab Thought Foundation, 2013, p. 9.

<sup>39</sup> International Monetary Fund, 2012.

<sup>40</sup> O’Sullivan, Rey and Mendez, 2012, p. 4.

<sup>41</sup> International Labour Organization, 2012a, p. 23.

### C. THE INFORMAL LABOUR MARKET

Large segments of the labour force across the Arab region are engaged in the informal economy.<sup>42</sup> Informal employment for the purpose of this report is defined as the share of workers not contributing to social security schemes. In the Arab region, it is estimated that “about 67 per cent of the labour force do not contribute to social security and are thus not covered by any pension or health insurance scheme”.<sup>43</sup>

Informal employment is a serious policy concern which affects the viability of tax and social insurance systems. It implies that about two-thirds of those active in the labour market are predominantly engaged in low-quality low-productivity jobs which themselves pose their own risks in terms of worker health, skill development and poverty alleviation. The informal sector comprises a multitude of industries from agricultural to service sector work, with the former being the dominant sector. Furthermore, individuals occupying these labour market positions do not have access to health insurance or pensions for old age security and are often exposed to precarious, insecure and unhealthy working conditions.<sup>44</sup> Returns to education when working in the informal sector are also generally very low, particularly for higher levels of educational attainment, indicating a significant loss of human capital.<sup>45</sup>

In terms of one of the most explicit forms of social exclusion in the region, namely, child labour, it is estimated that about 13.4 million children, representing 15 per cent of all children in the region, are engaged in the informal labour market.<sup>46</sup> Most of these child labourers participate in agricultural work, street vending and domestic labour in order to supplement their parents’ incomes or in fact to provide for themselves alone.

### D. ACTIVE LABOUR MARKET PROGRAMMES

In efforts to facilitate the inclusion of the unemployed and those working on the fringes of the labour market within informal sectors, several Arab countries have adopted the use of active labour market programmes (ALMPs). Targeting people who become unemployed or are at risk of becoming unemployed, ALMPs aim to increase employability and reduce the risk of further unemployment. They have been widely used across OECD countries and include job-search assistance, training, and wage and employment subsidies, which aim to enhance labour supply and improve labour market functioning.<sup>47</sup> ALMPs in the Arab region have tended to have weak linkages with the private sector in the design and implementation and skills matching to local employer needs.<sup>48</sup> Countries, including Morocco and Tunisia, have used active labour market interventions through the public sector. It is noted that the provision of ALMPs via the public sector faces numerous challenges, namely, “limited administrative capacity, system and program fragmentation, lack of governance and accountability, and flaws in programme design”.<sup>49</sup>

Tunisia launched a number of ALMPs in an effort to address structural unemployment challenges that were a significant influence on the 2011 uprising. The post-uprising Government doubled the amount of resources allocated for ALMPs, from an annual 250-270 million to 611 million Tunisian dinars in 2012.<sup>50</sup> These programmes primarily address skills training, self-employment and small business development.

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<sup>42</sup> United Nations Development Programme, 2011, p. 41.

<sup>43</sup> ESCWA, 2014c, pp. 18-19.

<sup>44</sup> Ibid., p. 81.

<sup>45</sup> Angel-Urdinola, and Tanabe, 2012, p. 5.

<sup>46</sup> International Labour Organization, Child labour in Arab States.

<sup>47</sup> Coutts and others, 2014, p. 2.

<sup>48</sup> Angel-Urdinola and others, 2013.

<sup>49</sup> Ibid., 2013, p. 25.

<sup>50</sup> European Training Foundation, 2014, p. 10.

In terms of economic and social outcomes the evidence for their effectiveness appear mixed. Further policy action is needed to address the structural determinants of unemployment, employment legislation and encouraging SMEs in Tunisia in order for ALMPs to be effective.<sup>51</sup>

#### E. NATIONALIZATION PROGRAMMES IN GCC COUNTRIES

Within GCC countries responses to growing unemployment have involved nationalization programmes, which have taken on various specific national variants, including “Saudization”, “Omanization” and “Emiratization”.<sup>52</sup> The primary aim of these programmes is to increase the employment rates and integration of nationals into the labour market; and the overall policy effort is to reduce the considerable reliance of GCC countries on overseas foreign workers.

The introduction of employment quotas for nationals was not the only labour market strategy used in nationalization programmes.<sup>53</sup> Other strategies used include the introduction of ceilings on immigrant quotas in the private sector (Saudi Arabia, Kuwait and the United Arab Emirates), the closing of employment to foreign workers in specific sectors or professions (all GCC countries), and the preferential awarding of governmental contracts to private companies abiding by the quota requirements (Oman).<sup>54</sup> Further nationalization policies may have protective effects on the citizens of the country in which they are implemented. However, they may have significant negative external effects in terms of excluding thousands of foreign workers who may have been resident in the country for many years, driving them into informal employment and the low wage economy.<sup>55</sup>

#### F. PROTECTION OF MIGRANT LABOURERS

As the ILO noted recently, across the GCC subregion, “there has been a ‘race to the bottom’ for employment paying very low wages”.<sup>56</sup> Large supplies of unskilled and semi-skilled labour from Asia have enabled a number of non-oil rich and such GCC countries as Kuwait to drive down wages.<sup>57</sup> Migrants have been brought into the region via the *kafala* employment sponsorship system. These workers are engaged in sectors that many national citizens in each country are unwilling to do, such as in the service industry, taxi drivers and domestic workers.<sup>58</sup>

In an attempt to reform the system and properly integrate foreign workers several countries have publicly pledged to reform the *kafala* system. Jordan and Lebanon have introduced standard contracts for migrant workers.<sup>59</sup> Jordan introduced a wage protection system that requires employers to pay the wages of migrant workers directly into bank accounts to better enforce payment of wages.<sup>60</sup> Migrant workers in Bahrain have also been allowed to switch employers without gaining the prior consent of their employer.<sup>61</sup>

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<sup>51</sup> Ibid. See also ESCWA, 2012, pp. 56-57.

<sup>52</sup> Baldwin-Edwards, 2011.

<sup>53</sup> For a full discussion, see Hertog, 2014.

<sup>54</sup> Baldwin-Edwards, 2011, p. 44.

<sup>55</sup> Hertog, 2014, p. 7.

<sup>56</sup> International Labour Organization, 2014b, p. 11.

<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

<sup>59</sup> Frantz, 2014, p. 15.

<sup>60</sup> Human Rights Watch, 2015, p. 18.

<sup>61</sup> See GCC: Kafala, UAE, 2012.

## IV. INCLUSIVE SOCIAL PROTECTION

In the Arab region, the role of the State as provider of social welfare and security began in the post-independence era. In the 1950s, Egypt and Iraq established the first contributory systems of social insurance to enhance social welfare provision.<sup>62</sup> In addition, public healthcare provision and infrastructure were prioritised and expanded; and public education was emphasised as an investment into the development of a skilled bureaucracy. Indirect social transfers in the form of subsidies for food and fuel, as well as other essentials such as housing, were also developed.<sup>63</sup> In this context, access to education, healthcare and related services to larger sections of the population positively contributed to social mobility and poverty reduction, especially in the early post-independence period. The main lessons learned from this period, as in post-war Europe, was the vital and necessary role played by the State whether through public provision or via regulatory practices.

However, as noted by UNDP's *Arab Development Challenges Report 2011* and more recently by ESCWA,<sup>64</sup> the particular type of social contract that was adopted in the region from the 1970s meant exchanging political freedoms for security, expanded provision of public services and low rates of taxation. However, a system based upon a rentier political economy characterized by entrenched inequalities, privileged distribution of wealth, political repression and increasing social inequality reached its limits in 2011.<sup>65</sup> Over the past 20 years, the State had been unable "to co-opt the educated youth into what used to be a relatively well paid civil service that acted as a mechanism for upward social mobility".<sup>66</sup> It was at this point that the socially and economically excluded, youth and the middle class from across the region demanded freedom, social justice and human dignity.

It has become apparent that a shift towards a transformative model for development is a necessary to break the cycle of institutionalized privilege which is apparent across society but particularly in the existence of different social insurance funds for different occupational groups.<sup>67</sup> In addition, fuel subsidies, which are now being progressively phased out in a number of countries (including, for example, in Morocco) only marginally reached the poor and in many cases assisted the more affluent segments of society. These were part of a governance structure that hindered the broader policy goal of social development.<sup>68</sup>

### A. SOCIAL PROTECTION: INSURANCE OR ASSISTANCE?

Social protection systems usually consist of contributory systems, also referred to as social insurance, and non-contributory systems, which is equally referred to as social assistance. Contributory systems seek to support citizens in managing such predictable risk as ill health, unemployment and old age. Non-contributory systems specifically target the socially and economically deprived.<sup>69</sup> In some countries, the terms "social protection" and "social security" denominate different types of social policy interventions. For the purpose of this report, the two terms are used interchangeably.

The need for a minimum package of social protection coverage has gained considerable attention in the wake of the social and economic impacts of the global financial and economic crisis of 2008. People

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<sup>62</sup> ESCWA, 2014c, p. 8.

<sup>63</sup> Ibid.

<sup>64</sup> ESCWA, 2014a, p. 15.

<sup>65</sup> For an in-depth discussion, see Nabli and Hammouda, forthcoming publication.

<sup>66</sup> United Nations Development Programme, 2012, p. 12.

<sup>67</sup> ESCWA, 2014c, p. 18.

<sup>68</sup> Ibid., p. 20.

<sup>69</sup> For an in-depth discussion, see the World Bank, 2014b.

across the world and particularly in the Arab region have been exposed to rising food prices, lower incomes and reduced access to social services and protection.<sup>70</sup> This has had a considerable impact on the ability of governments to maintain social cohesion as well as achieve policy aims, such as MDGs.

One of the main multilateral initiatives taken up as a response to mitigate the negative effects of the economic crisis and associated rising food prices was the policy of introducing social protection floors (SPFs) across the world. The initiative is intended to provide universal income security to vulnerable groups of population, as well as access to essential health-care services.<sup>71</sup> The United Nations has committed to assist the Member States in establishing and designing SPFs in accordance to their specific national contexts. Significant steps towards establishing a social protection floor are being taken in Jordan, including the identification of social services that can have immediate impacts on the quality of life as well as estimates of the possible budgetary costs of the SPF.<sup>72</sup>

In general, social insurance schemes in the region rely on a pay-as-you-go system in which employers and current employees pay for the pensions of current retirees.<sup>73</sup> This can lead to horizontal (across age groups or employee status, among others) and vertical (richer to poorer) forms of redistribution.<sup>74</sup> Governments will generally contribute as employers. However, in Iraq and Saudi Arabia, subsidies are also provided where needed. The Governments of Egypt, Jordan and Qatar may cover any programme deficits that may result.<sup>75</sup> This type of insurance is designed to cover a range of risks, including disability, sickness, senility and maternity that may occur over an individual's life.

In a number of countries, different schemes exist according to specific professions, such as civil servants, the armed forces and private sector employees. Self-employed entrepreneurs in Bahrain, Egypt, Jordan and Sudan can also make voluntary contributions.<sup>76</sup> Informal sector workers are typically excluded. An estimated 67 per cent of the labour force in non-GCC countries do not make social security contributions and are therefore not covered by any form of insurance.<sup>77</sup>

Expenditures on social protection for children is marginal. At least for countries for which data is available, none of the countries exceeds 0.5 per cent, as shown in figure III. A substantial evidence base exists which demonstrated that a lack of investment in social protection for children severely inhibits their life course chances, health and well-being.<sup>78</sup>

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<sup>70</sup> For a full discussion, see Habibi, 2009.

<sup>71</sup> International Labour Organization, 2012b.

<sup>72</sup> United Nations Development Programme, 2013.

<sup>73</sup> ESCWA, 2014c, p. 19.

<sup>74</sup> Ibid., p. 9.

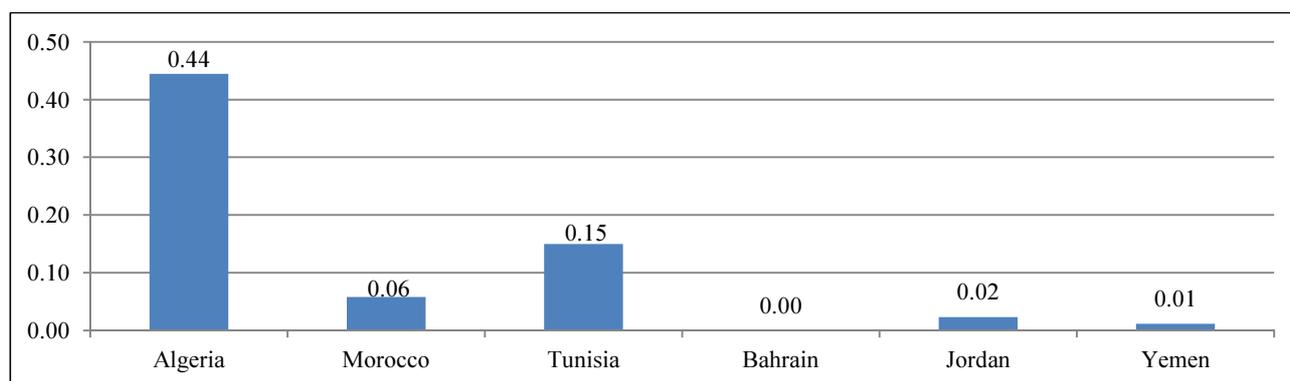
<sup>75</sup> Ibid., p. 19.

<sup>76</sup> Ibid., p. 18.

<sup>77</sup> Ibid., pp. 18-19.

<sup>78</sup> Department for International Development, 2009, pp. 1-6.

**Figure III. Public social protection expenditure for children, 2009-2010**  
(Percentage of GDP)

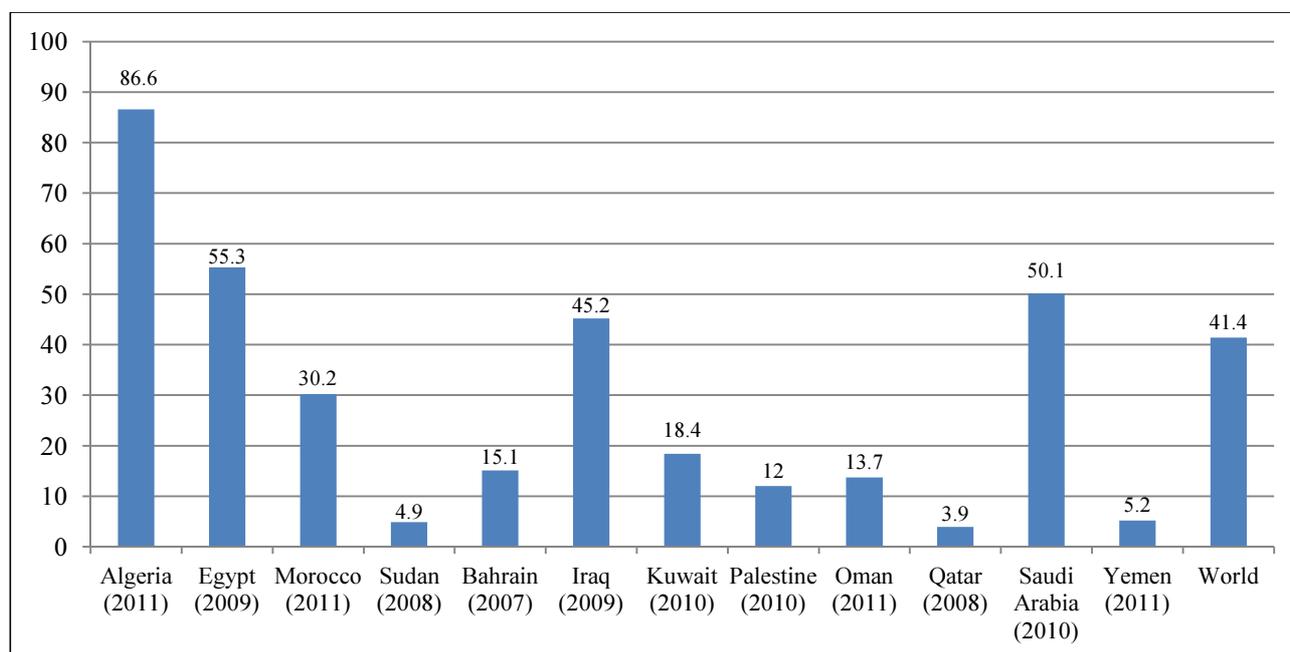


Source: International Labour Organization, 2014c, pp. 306-310.

### B. PENSIONS

A substantial share of social protection spending in the region is directed towards pension insurance schemes.<sup>79</sup> These are usually in the form of statutory social insurance schemes. Owing to the high incidence of informality in many Arab countries, two-thirds of workers are not covered by pension schemes (figure IV).<sup>80</sup>

**Figure IV. Percentages of active contributors to pension schemes within national labour forces**



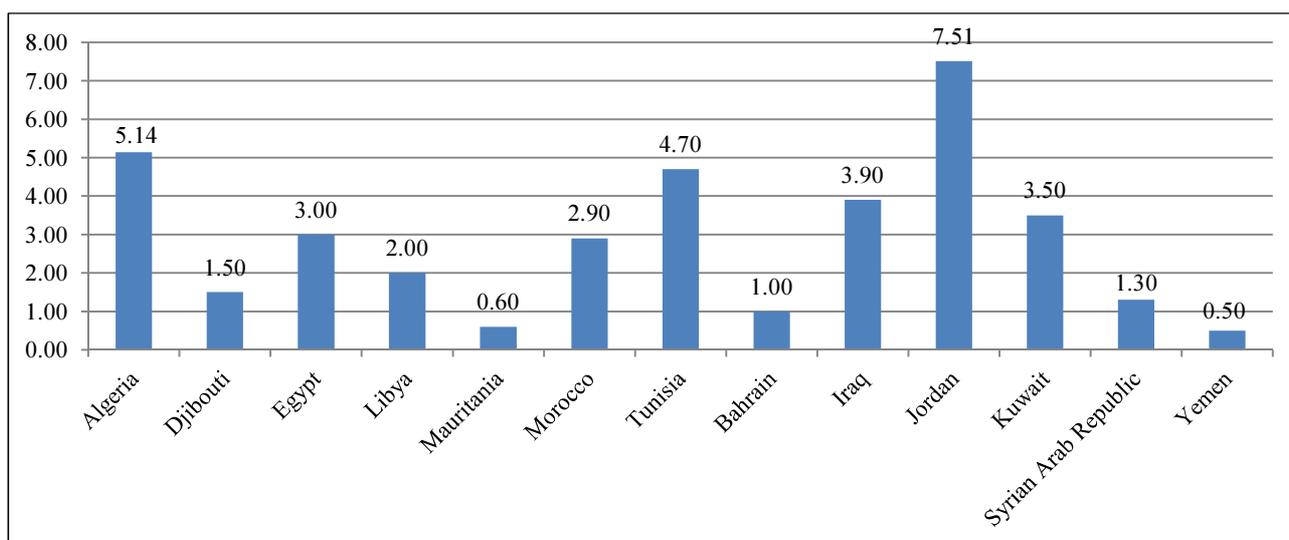
Source: International Labour Organization, 2014c, pp. 268-270.

<sup>79</sup> Loewe, 2014, pp. 78-79.

<sup>80</sup> Gatti and others, 2014, p. 6.

Formal private sector and government employees, such as civil servants and the armed forces, are the most likely to benefit from pension schemes.<sup>81</sup> Those outside of the formal sector, on the other hand, including many of the self-employed and those operating in the informal economy as temporary, casual workers and migrant workers often have little access to pension schemes.<sup>82</sup> This has led to a situation of “welfare dualism” or “truncated welfare systems” that segment the labour market and divide society into a group of insiders and outsiders, with those outside the formal sectors excluded from access to good quality social services due to cost barriers.<sup>83</sup> Total public social protection expenditure for older persons varies across the region, from less than 1 per cent in Mauritania and Yemen, to around 5 per cent in Algeria and Tunisia, and more than 7 per cent in Jordan (figure V).

**Figure V. Public social protection expenditure for older persons**  
(Percentage of GDP)



Source: International Labour Organization, 2014c, pp. 306-310.

### C. SOCIAL ASSISTANCE

Price subsidies, as noted above, are generally applied across the region. Financed by government revenue, these programmes seek to reduce poverty by improving access to subsidised goods or services through price stabilization. They also aim to tackle vulnerability to volatile food prices, given the high import dependence of all Arab countries.<sup>84</sup> They constitute an essential part of social welfare assistance and safety net provision within the abovementioned social contract that characterize the region.<sup>85</sup> In cases where subsidies target the most vulnerable or are applied to products consumed mostly by the poor, they may bring about vertical redistribution. Ration cards, used by such countries as Egypt and Iraq, are one vehicle to achieve this. Countries, including Tunisia, subsidize bread which is often of substandard quality but purchased by the poor.<sup>86</sup>

<sup>81</sup> Kronfol, 2013, p. 13.

<sup>82</sup> Gatti and others, 2014, p. 276.

<sup>83</sup> ESCWA, 2014c, p. 11.

<sup>84</sup> Khouri, 2012.

<sup>85</sup> For a full discussion on food subsidies, see Harrigan, 2014.

<sup>86</sup> Silva, Levin and Morgandi, 2013, pp. 23, 137.

Most of the region's expenditure on social assistance has been on universal subsidies, particularly energy subsidies.<sup>87</sup> The majority of this allocation is earmarked for pro-rich fuel subsidies, with only around 1 per cent of GDP contributing to food subsidies and ration cards.<sup>88</sup> Egypt, for example, spent three times the amount it had allocated for education and seven times the amount earmarked for health on energy subsidies in 2011.<sup>89</sup> Moreover, while the poorest 20 per cent in Sudan benefit from only 3 per cent of fuel subsidies, the richest capture more than 50 per cent.<sup>90</sup> Not only do the benefits of fuel subsidies accrue mostly to the rich, but rather fuel subsidies also serve to divert resources away from other sectors that have a significant potential in promoting inclusive growth.

As a result, only one-third of those in the poorest quintiles are covered by non-subsidy social assistance or social safety nets (SSNs), as termed by the World Bank, with those in the poorest quintile estimated to be receiving only about 23 per cent of the total benefits of SSNs.<sup>91</sup> Inadequate targeting has led to the divergence of SSN benefits to wealthier sectors of the population.<sup>92</sup>

The majority of Arab countries provide social assistance programmes aimed at targeting vulnerable groups, including female-headed households and persons with disabilities. However, the provision of these schemes is often uncoordinated and ad hoc, thereby leaving beneficiaries with little security. In contrast with private insurance, social assistance programmes are supposed to be much less selective, accepting people who face more difficult working conditions and therefore are at higher risk of sliding into poverty, in this way potentially allowing for vertical redistribution of wealth from higher to lower income groups.<sup>93</sup>

Low levels of coverage, fragmented small-scale SSN programmes, and inadequate monitoring and evaluation of SSNs are all factors that have mitigated the potential impact of social safety nets in the region. A number of Arab countries have recently introduced reforms to enhance the effectiveness of SSNs. In Palestine, for example, a unified registry for all SSN programmes was introduced to enhance targeting. In attempts to enhance the targeting of coverage and assistance, proxy means-testing has been implemented in Palestine and Yemen.<sup>94</sup> It is expected that the new system will positively impact the overall governance of social assistance.

Despite recent reforms, social assistance programmes in the region have generally failed to reach the most deprived sections of Arab societies.<sup>95</sup> That said, the complete withdrawal of assistance could potentially harm the poor. Palestine proved to be the only exception where social assistance benefits provided by the United Nations, the Government, and other donors and NGOs successfully reached over 50 per cent of the poorest quintile.<sup>96</sup> As a result, social assistance is reportedly associated with a reduction of 7 per cent in the Gini coefficient in the West Bank and Gaza, which represents one of the largest documented impacts of SSNs on inequality in the region.<sup>97</sup> In Egypt, Iraq and Yemen, on the other hand, the impact on the Gini coefficient was less than 1 per cent.<sup>98</sup>

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<sup>87</sup> Zaid and others, 2014.

<sup>88</sup> Silva and others, 2013, p. 16.

<sup>89</sup> International Monetary Fund, 2014b, p. 2.

<sup>90</sup> Ibid.

<sup>91</sup> Silva, Levin and Morgandi, 2013.

<sup>92</sup> Ibid.

<sup>93</sup> Gugushvili and Hirsch, 2014.

<sup>94</sup> Silva and others, 2013, pp. xii, 42.

<sup>95</sup> International Labour Organization, 2012a, p. 91.

<sup>96</sup> Silva and others, 2013, p. 21.

<sup>97</sup> Ibid., p. 25.

<sup>98</sup> Ibid., 2012, p. 15.

#### D. WHO PROVIDES SOCIAL PROTECTION?

As mentioned above, the share of the population that is not covered by formal social security remains substantial across the Arab region.<sup>99</sup> Non-contributory social assistance programmes and subsidies are supposed to help those who are excluded, which presents significant challenges in terms of social protection and development in general. In order to address these social and economic challenges and spurred on by MDGs and the post-2015 Development Agenda, Arab governments have shown a growing interest in developing effective social protection policies to promote positive social development. The uprisings of 2011 served to reinforce further the need to expand social protection in an effort to reduce social exclusion and poverty.

Civil society and NGOs have also traditionally played an important role in the provision of social protection in the Arab region. All countries across the region have significant charity systems in place.<sup>100</sup> These charities operate with substantial social and financial resources, and play an important role in poverty reduction and social justice. This was particularly the case following the breakdown of services at times of economic stagnation and civil war, as in Lebanon. In Jordan, non-governmental and community-based organizations play a significant role in social protection; and more than 1,500 social and charitable based societies were estimated to be operational in 2010.<sup>101</sup> The benefits and assistance provided by charity and NGOs are normally not universal, but means-tested, categorical or geographical, and offer in-cash and in-kind social assistance, including food rations or orphan sponsorship.<sup>102</sup>

Faith-based and associated religious welfare organizations have come to be common features of social protection systems across the region.<sup>103</sup> In the case of Muslim societies, this has been based on the long-established system of *zakat*, an obligatory wealth tax, and of charitable donations (*waqf* and *sadaqa*).<sup>104</sup> Similarly, Christian churches are important centres of social support. These faith-based organizations have provided essential social protection for millions of people in the region, from schools to health care, for vulnerable populations.<sup>105</sup>

Nuclear and extended families have also traditionally offered social and financial support in the absence of the State. This trend, however, has lessened over the past decade as a result of widespread poverty and the decline of traditional family units.<sup>106</sup>

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<sup>99</sup> Jawad, 2014, p. 7.

<sup>100</sup> See Cammett, 2014, for a full discussion of the role of faith based charities in the provision of social protection and welfare.

<sup>101</sup> Cousins, 2012, p. 9.

<sup>102</sup> Jawad, 2014, p. 26.

<sup>103</sup> Ibid.

<sup>104</sup> ESCWA, 2014c, p. 55.

<sup>105</sup> Ibid., pp. 56-60.

<sup>106</sup> Jawad, 2014, p. 25.

## V. EQUAL ACCESS TO QUALITY HEALTH CARE AND EDUCATION

According to the World Health Organization (WHO), a girl born today can expect to live between 45 and 80 years, depending on which country she is born in.<sup>107</sup> Such dramatic differences in health, development and life expectancy can also be experienced among individuals living within the same country as a consequence of social disadvantage and poor public services.<sup>108</sup> Indeed, equal access to quality social services is one of the most important indicators of social inclusion. Good quality education and good health are the critical basis for social mobility and social development in all societies. Overall, it is posited that health should be viewed as fundamental capability and an asset of citizenship rather than as a market commodity.

Currently, however, coverage, quality and access to essential social services are major concerns in many Arab countries and present major barriers to generating long-term inclusive social development and integration of people across the region.<sup>109</sup> Public policies in many Arab countries are failing to meet the expectations of their citizens in the area of quality education, as testified by low scores in international learning achievement tests, such as Trends in Mathematics and Science Study (TIMSS) and the Programme for International Student Assessment (PISA), as well as by high out-of-pocket expenditures on health care in almost all Arab countries. Moreover, while private sector services are striving to fill the gaps, most are not affordable to the poor.<sup>110</sup>

This chapter examines the challenges inherent in the current provision of health and education services in the region. It summarizes current initiatives to expand access to education and health care to all citizens. Ultimately, education and health policies are critical elements for increasing the capabilities of individuals to participate economically and socially in society, thereby enhancing growth and social stability.

### A. HEALTH CARE AND SOCIAL INCLUSION

Access to good quality public services are major concerns in many Arab countries. As detailed throughout this report, they present major barriers to generating long-term inclusive social development and reducing the experience of inequality as suffered by millions of people across the region.

In terms of health and preventive medicine, the high out-of-pocket expenditures on health care in almost all Arab countries indicate the low level of government engagement in the area of health protection (figure VI). Lack of access to essential services negatively impacts upon the productivity of the workforce and reduces labour market outputs. For the working-age population, good physical health, stable mental and psychosocial well-being are significantly associated with lower levels of absenteeism, higher productivity and the increased likelihood of extending working lives through to retirement cycle. This of course has direct impacts on the individual ability to participate in society – socially as well as economically. A large body empirical evidence now exists which demonstrates that government investments in universal health care (UHC) programmes can have significant economic gains. However, for this to happen there must be political will to support solidarity based schemes and consider health a fundamental driver of growth and development. The basic challenge to adopting UHC across the region is to reduce the proportion of out-of-pocket spending and to ensure that health and access to care become “citizenship rights”. This of course requires political will and increased spending on the public provision of health care resources.<sup>111</sup>

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<sup>107</sup> World Health Organization, 2008, p. 1.

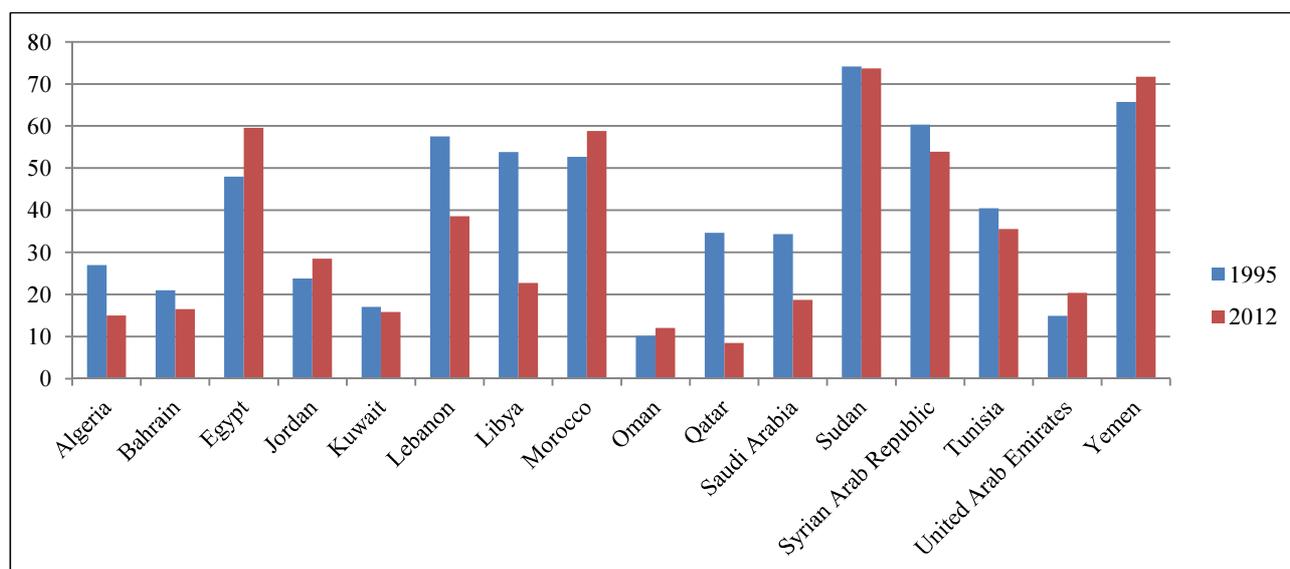
<sup>108</sup> Ibid.

<sup>109</sup> For in depth discussion see, Kronfol, 2012.

<sup>110</sup> Kronfol, 2012, p. 1244.

<sup>111</sup> Titelman and others, 2015. For discussion of health as a citizenship right, see Barcena, 2014.

**Figure VI. Out-of-pocket expenditure as percentage of total expenditure on health**



Source: World Health Organization.

The physical, mental health and well-being of a population constitute important indicators of the civic “health” and social cohesion of society at large.<sup>112</sup> Beyond infant mortality rates and population life expectancy lies a significant link between population health and the socio-economic development trajectory of a country. Health is a direct source of human welfare and good health care a platform for raising income levels and increasing social inclusion.<sup>113</sup> Indeed, the lack of access to health care negatively impacts the productivity of the workforce and labour market. For the working-age population, good physical health and stable mental and psychosocial well-being are significantly associated with lower levels of absenteeism, higher productivity and the increased likelihood of extending working lives through to retirement.<sup>114</sup> Maternal and child health also have significant consequences for a child’s learning potential and therefore their future employability, productivity and lifetime earnings.<sup>115</sup> Thus the lack of health care creates a vicious cycle with national productivity and social inclusion, given that the lack of a robust labour force in turn hampers the ability of government to deliver public services and alleviate poverty and inequality.

## B. HEALTH AND HEALTH CARE IN THE ARAB REGION

Arab countries have made significant progress in population health over the past three decades. The prevalence of infectious diseases and prenatal and maternal mortality have all been reduced.<sup>116</sup> However, the prevalence of chronic diseases has increased and is increasingly emerging as the main contributor to the burden of disease in the region.<sup>117</sup> The recent surge of refugee populations in Jordan, Lebanon, Iraq and even Egypt has severely strained the capacities of public health systems.

<sup>112</sup> Acket and others, 2011.

<sup>113</sup> Bloom and Canning, 2008.

<sup>114</sup> For a full discussion, see World Health Organization, 2010; and Equity Channel, n.d.

<sup>115</sup> World Health Organization, 2009.

<sup>116</sup> Boussayoud, 2014; and Mokdad, 2014.

<sup>117</sup> For the most recent data and discussion, see Abdul Rahim and others, 2014.

In 2015 and in response to these needs, Arab countries experienced serious concerns with both access to and quality of their health-care systems. Despite significant improvements made over the past few decades, several subsets of the population are still significantly disadvantaged in their access to the range of health services available. Currently, public health care is fragmented and unevenly provided across the region.

Indeed, private expenditure plays a dominant role in funding health care in the Arab region.<sup>118</sup> Out-of-pocket health spending (OoPP) in Arab States is among the highest in the world.<sup>119</sup> As a consequence, large out-of-pocket expenditure requires the average citizen to pay for every expense, rendering access to health care close to impossible for those of lower socio-economic status, who simply cannot afford to either pay for private medical services much less insure against health emergencies.

### C. SOCIAL HEALTH INSURANCE

As for social health insurance, some countries, including Egypt, Jordan and Tunisia, offer social health insurance systems aimed primarily at public sector employees, with insurance schemes operating their own health-care facilities. Coverage rates in these countries are reportedly high, reaching 65 per cent in Tunisia.<sup>120</sup> The other end of the spectrum, however, reveals how lack of access to health care and to social health insurance systems and the high price-tag of the alternative (private, out-of-pocket expenditure) further obstructs social inclusion. In Lebanon, for instance, the “failure of government to pay for public health-care bills means Lebanese are required to hold expensive private healthcare insurance”.<sup>121</sup>

### D. ACCESS TO HEALTH CARE AND SOCIAL INCLUSION

It is clear, therefore, that in the heavily privatized health-care systems many cannot afford to pay for health care out-of-pocket, and the requirement of OoPP is disproportionately hard on the poor. Indeed, the share of households that are vulnerable to exceptionally high or catastrophic health expenditure is considerable.<sup>122</sup> In the face of daily medical needs or a health crisis, the absence of affordable access to health care and prepayment schemes in many countries has compelled low-income households to pay a substantial share of their income for health services at the expense of other basic items, such as food, often subjecting them to a higher risk of being pushed deeper into poverty. Even when OoPP is made, the poor risk being relegated to low care standards in often badly equipped State-run institutions or, when the prices are too high, being forced to forgo health care altogether, or not seeking the care they need until it is too late.<sup>123</sup> This may lead people dying of what otherwise are very treatable and preventable illnesses and conditions. On a large scale this can lead to increased inequalities in health, development, quality of life and life expectancy among different social groups, obstructing any efforts towards inclusive social development in the region.<sup>124</sup>

To further complicate the picture, barriers to social inclusion in the health sector are not only related to socio-economic status but also to gender. However, such barriers are often subtle, given that social insurance legislation in most countries does not technically discriminate against women. The fact that employment in the Arab region is lower among women than among men implies that women are less often directly covered by health insurance, although health insurance does in certain instances include coverage for family members.

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<sup>118</sup> ESCWA, 2013, p. 2.

<sup>119</sup> Alami, 2014, p. 1.

<sup>120</sup> Saleh and others, 2014, p. 373.

<sup>121</sup> IRIN News, 2008.

<sup>122</sup> Saksena, 2010.

<sup>123</sup> Alami, 2014, p. 14.

<sup>124</sup> Ibid.

Against the backdrop of inadequate public health provision outside of the Gulf States, juxtaposed with private for-profit health care that is largely unaffordable by the mass population, local and international NGOs have increasingly stepped in to fill the vacuum in the health sector.<sup>125</sup> Religious charitable organizations, including the Muslim Brotherhood in Egypt and Jordan, Hamas in Palestine, and Hezbollah in Lebanon, have played a particularly significant role in this domain.<sup>126</sup> In Egypt and Jordan, faith-based NGOs run schools, hospitals and clinics.<sup>127</sup> Other civil society organizations, including the Red Cross, Welfare Association and other smaller local health-oriented non-profits are important players in providing health for those with lower socio-economic status. Equally within that context, UNRWA plays a leading role in providing health care for some 5 million Palestinian refugees in Jordan, Lebanon, Palestine and Syrian Arab Republic.<sup>128</sup> However, funding for such actors is constantly in flux and inconsistent. The lack of public health care has created a dependence among high proportions of the poor on unstable coping mechanism that is often also highly politicized.

Consequently, the need for increased government spending on public health care with a focus on social inclusion is needed, particularly given that the total population of Arab countries has an Elderly Dependency Ratio which is predicted to increase to 8.73 by 2025.<sup>129</sup> While comparatively high health expenditure does not necessarily translate immediately into better care, services and improved population health outcomes, moving towards universal health coverage is emblematic and a key step towards a rights-based and inclusive approach to the provision of social protection.<sup>130</sup>

#### E. EDUCATION AND INCLUSIVE DEVELOPMENT

In synergy with health, investment in education is seen as another key pillar to advance human capital or “human resource development”.<sup>131</sup> Education is acknowledged as an avenue for transforming and improving both population health and social cohesion.<sup>132</sup> Internationally, the commitment to “Education for All” was expressed 15 years ago at the World Education Forum in Dakar, which firmly placed education at the heart of inclusive social and economic development.<sup>133</sup>

An inclusive approach to education involves securing education which is not the prerogative of the elite, but rather is accessible to all, including traditionally disadvantaged and vulnerable groups. Unequal access to educational opportunity reinforces existing and gross inequities along gender, ethnic, age and socio-economic lines, thereby exacerbating social exclusion. In contrast, inclusive development in education entails the provision of equal opportunity to access education without discrimination. Arab countries have generally succeeded in increasing the number of years of compulsory schooling, widening access to education for all.<sup>134</sup>

In the course of just three decades, education in the region has improved, moving from having one of the lowest educational attainment rates in the world to educational attainment levels comparable to the more

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<sup>125</sup> ESCWA, 2014c, pp. 59-60.

<sup>126</sup> For a comprehensive discussion of these issues in the region and the case study of Lebanon, see Cammett, 2014.

<sup>127</sup> ESCWA, 2014c, p. 60.

<sup>128</sup> UNRWA, 2014.

<sup>129</sup> ESCWA, 2009b, p. 27.

<sup>130</sup> For a comprehensive discussion on the benefits of universal health care coverage, see Stuckler and others, 2010.

<sup>131</sup> For discussion on these issues, see United Nations, Economic and Social Council, *Human Development, Health and Education Dialogues at the Economic and Social Council*.

<sup>132</sup> OECD, 2010.

<sup>133</sup> See discussions within UNESCO, 2000.

<sup>134</sup> The World Bank, 2008, p. 24.

advanced developing economies. Among its milestones, the countries of the region have halved illiteracy since 1980.<sup>135</sup>

Despite these achievements, educational opportunities in the Arab region are not equally distributed and are divided along gender, health and socio-economic lines, particularly for the adult population.<sup>136</sup> It is estimated that “six million primary school-aged children, the majority of whom are girls, remain out of school”.<sup>137</sup> In general, persons with disabilities, the poor, those living in rural areas and other disadvantaged and vulnerable sub-segments of the population generally have less chance of completing their primary education, and a lower probability of gaining access to better quality education. Discrepancies in the quality of educational attainment have also left only few with the skills needed to successfully access labour market opportunities, thereby creating unequal returns to education and significant gaps in labour market outcomes.

## F. CHALLENGES

Equality of access to education, quality of education, literacy rates, and drop-out rates vary widely across the board in the region, both between different Arab countries and within their populations, highlighting the need for social inclusion as a priority goal of national education systems.

### 1. Access

In most Arab countries, universal primary education has been achieved for girls and boys. Net enrolment ratios (NER) for primary education rose from 86 to 94 per cent between 2000 and 2010.<sup>138</sup>

Lower secondary school completion in the Arab world ranges from as high as 99 per cent in Qatar to 65 per cent in the Syrian Arab Republic.<sup>139</sup> The figures for the latter country have dramatically worsened as a result of the conflict. In terms of improvements in secondary schooling enrolment rates, Djibouti, Oman and Qatar have improved over the past ten years.<sup>140</sup>

### 2. Literacy

Over the past decades the region has made significant improvements in female education.<sup>141</sup> The gender gap in the younger age groups has narrowed significantly, as figure VII illustrates.

Nevertheless, while literacy and especially female literacy has been improving steadily in the region, there are still many challenges. For instance, although, once in school, young girls are performing well, women in general remain disproportionately disadvantaged in terms of education in the Arab region. Women make up some 70 per cent of illiterate people in Libya, Palestine and Yemen.<sup>142</sup> In the region as a whole it is estimated that “the number of adult illiterates is still rising, reaching 60 million in 2008, 18 million of whom live in Egypt”.<sup>143</sup>

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<sup>135</sup> Ibid., p. 23.

<sup>136</sup> The World Bank, 2009, p. 8.

<sup>137</sup> ESCWA, *A Comparative Analysis of Gender Disparities in Arab Countries: A Study Based on Household Survey Data*, p. 37.

<sup>138</sup> World Bank, 2014a.

<sup>139</sup> Steer and others, 2014, p. 7.

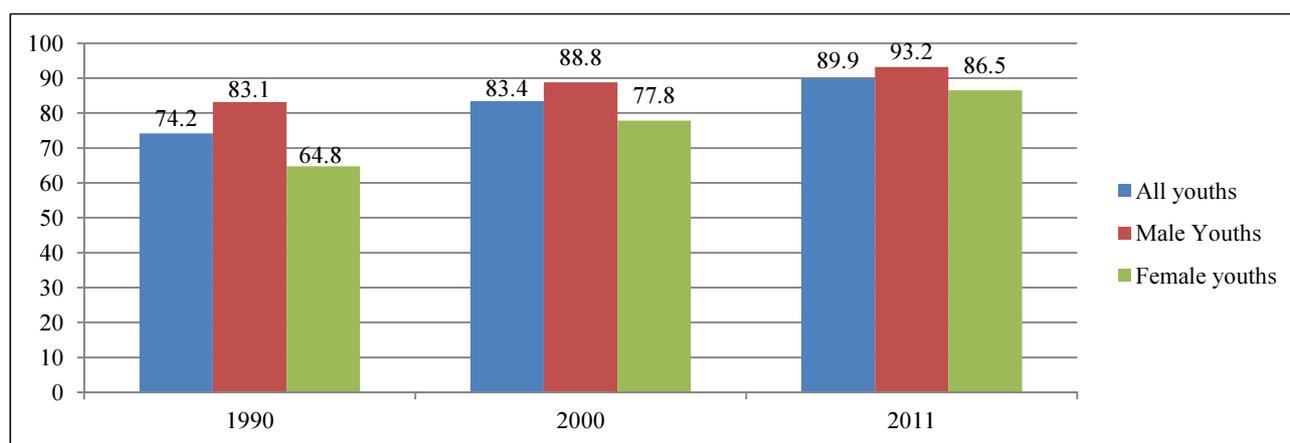
<sup>140</sup> Ibid., p. 4.

<sup>141</sup> OECD, 2012a, p. 58.

<sup>142</sup> UNESCO, 2013a, p. 37-39.

<sup>143</sup> Yahia, 2011.

**Figure VII. Literacy rates among youths (15-24 year-olds) in the Arab region**



Source: UNESCO, 2013a, p. 29.

### 3. Gender equality

Unexpectedly, the region has seen a “reverse” gender gap in terms of girls’ academic performance. Existing data shows that the gender gap is closing across many countries in the region in both primary and secondary education.<sup>144</sup> In countries that lag behind in the gender gap, including Djibouti and Yemen, poverty seems to be a leading reason for lower female school enrolment.<sup>145</sup> In addition to having severe consequences for future generations, this also reduces the likelihood that social interventions will be effective in these countries given that educated females are essential for the delivery of public health-care interventions, for instance. Overall, it is apparent that increased investment across educational sectors to facilitate both access and quality could help to facilitate long-term inclusive development and the integration of millions of women into society.

#### G. EARLY CHILDHOOD EDUCATION

For many children in the region social exclusion begins early at the pre-primary stage. As a large evidence base demonstrates, children who are not enrolled in pre-school are more likely to be behind in terms of development than their more privileged peers when transitioning from primary to secondary level education.<sup>146</sup> The pre-primary total enrolment ratio in Arab countries remains the second lowest of any region, despite an increase from 15 per cent in 1999 to 23 per cent in 2011.<sup>147</sup>

While early childhood care and education (ECCE) programmes are mostly available in cities, they remain largely inaccessible to those without the means to afford them.<sup>148</sup> Only a handful of Arab countries have established ECCE programmes that cater to children from lower socio-economic backgrounds.<sup>149</sup> As a result, disadvantaged children continue to be marginalized from the majority of ECCE programmes, which remain the remit of the more privileged,<sup>150</sup> but have immediate consequences at this early stage for accentuating future social exclusion.

<sup>144</sup> UNESCO, 2014a, p. 15.

<sup>145</sup> UNESCO, 2013b, p. 4.

<sup>146</sup> UNESCO, 2010, pp. 14-22.

<sup>147</sup> Chehab, 2014, slide 4.

<sup>148</sup> UNESCO, 2010, p. 28.

<sup>149</sup> Ibid.

<sup>150</sup> Ibid.

## H. QUALITY OF EDUCATION AND DROPOUTS

Education quality cannot be achieved without a sufficient number of trained educators.<sup>151</sup> According to UNESCO, Arab States also have the highest shortage of teachers among all developing regions, second only to sub-Saharan Africa.<sup>152</sup>

The relatively poor performance of Arab countries in international tests, including TIMSS, PIRLS and PISA, has brought to the forefront concerns over the quality of educational provision.<sup>153</sup> Drawing on the results of international tests, it is estimated that about 56 per cent of primary students and 48 per cent of secondary students are not achieving basic learning levels.<sup>154</sup>

In addition to concerns over the quality of educational provision, as many as 8.6 million children at the primary and secondary level in the Arab region remain out of school.<sup>155</sup> The education of refugees and internally displaced children also remains a challenge in the region, given that millions of children are not in school in such conflict-affected countries as Iraq, Sudan, Syrian Arab Republic and Yemen. In the Syrian Arab Republic alone, almost one million refugees are children, and over 4,000 schools have been destroyed.<sup>156</sup>

## I. EDUCATIONAL RELEVANCE AND SKILLS MISMATCH

Despite substantial improvements in tertiary enrolment rates, choices of education subjects have contributed to the unsuccessful translation of educational outcomes into successful labour market outcomes. The education system predominantly produces graduates in the humanities, education and social sciences rather in scientific, technical and engineering fields.<sup>157</sup> In some cases, as in Palestine, the share of graduates specializing in humanities, education and social sciences has even surpassed 70 per cent.<sup>158</sup>

Large-scale employers report a skills mismatch or gap as an impediment to establishing businesses in the region, identifying an inadequately educated workforce as a major constraint for operation and growth. The skills shortage is highest among developing regions, which is a phenomenon ascribed to an absence of linkages between the educational and training systems and the private sector, preference of graduates for public sector employment, and the emphasis on marks and success in the educational system over actual learning.<sup>159</sup>

## J. RURAL AND LOW SOCIO-ECONOMIC STATUS GROUPS

“There are 3.1 million fewer children out of school since 2002 in the Arab region, but 8.5 million children remain excluded. Many of them are girls from poor, rural communities often living in regions affected by conflict”.<sup>160</sup>

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<sup>151</sup> See Global Campaign for Education, 2012.

<sup>152</sup> UNESCO, 2013c.

<sup>153</sup> Faour, 2012.

<sup>154</sup> Steer and others, 2014, p. 9.

<sup>155</sup> Ibid., p.4.

<sup>156</sup> UNICEF, 2014, p. 18.

<sup>157</sup> Gatti and others, 2013, p. 175.

<sup>158</sup> Ibid.

<sup>159</sup> For a comprehensive discussion of these challenges, see Gatti and others, 2013.

<sup>160</sup> Steer and others, 2014, p. 2.

While the milestones achieved in increasing educational access to both boys and girls should be welcomed, it is important to note that there are vast differences in access to education among Arab children from different socio-economic groups, particularly between urban and rural women and girls. Girls living in poor rural communities make up a large segment of those excluded from the educational system. They comprise 60 per cent of the out-of-school population at the primary level, with the Arab region boasting the lowest primary gender parity in the world.<sup>161</sup> Disadvantaged and vulnerable groups, however, do not merely exhibit lower enrolment rates reinforcing social exclusion and the urban-rural divide, but often also achieve less academically.

Income inequality and rural-urban divides further exacerbate gender inequalities in educational attainment, thereby accentuating social exclusion of the rural areas.<sup>162</sup> In Egypt, for instance, 45 per cent of young females from the poorest rural families have less than two years of education, in comparison to only 1 per cent for the wealthiest urban young males. Similarly, according to the Brookings Institute, 86 per cent of young females in Yemen from the poorest rural families have less than two years of education, in comparison to only 1 per cent for the wealthiest urban young males.<sup>163</sup> In Iraq, lower secondary completion rates for deprived rural girls were only 3 per cent in 2011, in comparison to 58 per cent for wealthier urban boys.<sup>164</sup>

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<sup>161</sup> Ibid., p. 5.

<sup>162</sup> Economic and Social Commission for Asia and the Pacific, 2014, p. 7.

<sup>163</sup> Steer and others, 2014, p. 6.

<sup>164</sup> UNESCO, 2014b, p. 83.

## VI. THE SOCIAL ASPECTS OF ACCESS TO LAND AND HOUSING

The lack of affordable housing and access to land pose significant challenges for generating inclusive social development across the region. Housing and the neighbourhoods in which people live in and interact with each other are a pivotal context in which social inclusion and cohesion are developed. A house provides a home and shelter which are key determinants of individual health and well-being. Unfortunately they are also factors which are emblematic and concrete outcomes of the social and economic exclusions which millions of people face throughout the Arab region. They are also factors which are historically complex, overlapping with issues of population growth, migration and conflict, thereby further compounding the challenges facing inclusive social development policies.<sup>165</sup>

While there is no explicit mention of housing in the Millennium Development Goals, MDG target 7d is often associated with housing and land.<sup>166</sup> The post-2015 agenda is expected to include the right to “adequate housing” as a key element of the Sustainable Development Goals.<sup>167</sup> Adequate housing, as defined by UN-Habitat, ensures “adequate privacy; adequate space; physical accessibility; adequate security; security of tenure; structural stability and durability; adequate lighting, heating and ventilation; adequate basic infrastructure, such as water-supply, sanitation and waste-management facilities; suitable environmental quality and health-related factors; and adequate and accessible location with regard to work and basic facilities: all of which should be available at an affordable cost”.<sup>168</sup>

The key issues to understanding the links between housing and inclusive development may be thought of within the context of the framework by UN-Habitat and OHCHR comprising seven comprehensive criteria, namely: legal security of tenure; affordability; habitability; availability of services, materials, facilities and infrastructure; accessibility; location; and cultural adequacy.<sup>169</sup> The criteria are further described below in terms of tenure, affordability and quality.

### A. HOUSING TENURE AND AFFORDABILITY

A key aspect of housing that has influenced rates of social exclusion in the region relates to tenure, particularly in terms of security, such as forced eviction by government, through the expansion of real estate development, or through the loss of property to a third party. The legal frameworks of a number of countries, including Egypt, Lebanon, Libya and Iraq, excludes the protection of citizens from threats to their tenure. These countries display a higher incidence than many other Arab countries of forced eviction, demolition of homes without appropriate explanation or compensation, and exposure to dispossession through aggressive property development.<sup>170</sup> Additionally, formal rental contracts are often made available only if tenants are willing and able to make a large advance payment to secure a property.<sup>171</sup> While rental laws do exist in some countries that, on paper, offer tenants a degree of security, in practice these are rarely enforced. As a consequence of tenure insecurity, poor and low-income households are necessarily excluded from much of the rental market.<sup>172</sup>

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<sup>165</sup> ESCWA, *Social Aspects of Housing Policy in the Arab Region*, forthcoming publication.

<sup>166</sup> The target aims to “significantly improve conditions for at least 100 million slum dwellers” by 2015.

<sup>167</sup> Habitat for Humanity, 2013.

<sup>168</sup> United Nations General Assembly, 1996.

<sup>169</sup> OHCHR and UN-Habitat, 2014, pp. 3-4.

<sup>170</sup> ESCWA, *Social Aspects of Housing Policy in the Arab Region*, forthcoming publication.

<sup>171</sup> Sabry, 2010, p. 530.

<sup>172</sup> ESCWA, *Social Aspects of Housing Policy in the Arab Region*, forthcoming publication.

Evidence suggests that prices have rapidly risen over the past five years and continue to increase dramatically, rendering access to housing increasingly difficult for low- and middle-income households.<sup>173</sup> UN-Habitat scores the average house price to income ratio in the Arab region at 10.9, whereby a score in the range of 3-5 may be considered “good” or “satisfactory”; the average house to income ratio, at 45.5 per cent, is high.<sup>174</sup> Affordability significantly compromises access: inadequate housing finance, a generally underdeveloped mortgage sector, and the lack of access to mortgages and loan schemes are major obstacles.<sup>175</sup> Moreover, UN-Habitat estimates that across the region, nearly 50 per cent of households struggle to afford rent.<sup>176</sup> Without access to the capital needed to invest in home ownership, the poor are at the mercy of an unstable rental market. This leaves the deprived struggling to find even housing of modest conditions.

Increased demand for housing as a consequence of the regional refugee crisis has also placed substantial pressure on the rental housing market, particularly in Jordan and in Lebanon, which was already experiencing serious challenges in meeting demand even prior to the onset of the crisis in the Syrian Arab Republic.<sup>177</sup> Conflict and resulting refugee migrations have posed numerous challenges for countries to address the presence of slums and poor quality housing conditions. High proportions of Syrian refugees in Lebanon and Jordan are now residing in slums and informal settlements which are ever expanding.<sup>178</sup>

## B. URBAN GROWTH AND HOUSING SLUMS

Urban growth throughout the region is rapidly increasing, with rates as high as 94 per cent and 67 per cent in Sudan and Yemen, respectively.<sup>179</sup> Accompanying this growth is the development of slums containing poor quality housing which is associated with a variety of social and health problems. Tunisia and Morocco have made progress in improving the quality of slum housing. According to figures by UN-Habitat, the proportion of urban growth as a direct result of slum growth in these countries has decreased.<sup>180</sup>

Through its “Villes Sans Bidonvilles” programme aimed at upgrading 250 slum areas, Morocco succeeded in reducing the percentage of those living in slum dwellings from 37 per cent to 13 per cent between 1990 and 2010.<sup>181</sup> In 2003, almost one-third of Morocco’s urban population lived in substandard housing, representing some 212,000 households out of a total 900,000 households.<sup>182</sup> Despite the State’s effort to address the issue, formal housing development was unable to meet the needs of the growing low-income population, and informal settlements proliferated. A comprehensive reform programme was instated in 2004 which centred on facilitating and supporting the role of the private sector in housing supply, while improving the institutions and regulatory mechanisms of the housing sector and using targeting and market-driven interventions to increase access to affordable housing for low-income households, aiming to produce 100,000 social housing units and serviced land plots each year. Within this policy context, the government launched its “Villes sans Bidonvilles” programme which sought to upgrade housing for the 212,000 households living in slums by 2010.<sup>183</sup>

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<sup>173</sup> UN-Habitat, 2012, p. 4.

<sup>174</sup> ESCWA, *Social Aspects of Housing Policy in the Arab Region*, forthcoming publication.

<sup>175</sup> Ibid.

<sup>176</sup> Ibid.

<sup>177</sup> For evidence, see UNHCR and UN-Habitat, 2014, p. 9.

<sup>178</sup> UNHCR, 2014.

<sup>179</sup> ESCWA, *Social Aspects of Housing Policy in the Arab Region*, forthcoming publication.

<sup>180</sup> United Nations and League of Arab States, 2013, p. 38.

<sup>181</sup> Ibid.

<sup>182</sup> The World Bank, 2006, p. 3.

<sup>183</sup> For a full discussion on Morocco’s housing and slum clearance programmes, see the World Bank, 2010.

Among the limitations of Morocco's slum development programme was the short timeframe and a narrow focus on slum renovation as solely housing issue. The wider structural issues, such as employment and access to health services, were initially not addressed. The programme assumed that subsidizing improved housing for slum dwellers would improve their quality of life. For a number of households this may have been the case. Research from the World Bank suggests that improved housing was accompanied by declining access to jobs, health and education services if associated with relocation of the community, particularly if the new dwellings were part of a new urbanized settlement in the outskirts of the town or city.<sup>184</sup> In addition, individual social networks were broken up, distances from the job market made greater with associated increases in transport costs, effectively increasing insecurity. In the current phase, the Government initiated a new approach, which integrates social research and consultation, as well as increased focus on social services at every stage of the upgrading programme.

Vulnerable groups are often and systematically excluded from housing policy planning. According to a forthcoming report by ESCWA, only Qatar's national housing policy provides, to a degree, for the persons with disabilities and other marginalized groups.<sup>185</sup> This extends also to women, who, in some countries in the region including those in the GCC subregion, are excluded from applying for loans and government-subsidized housing.<sup>186</sup> Such failure to consider the specific needs of these contingents of society necessarily contributes to their exclusion. As Chiu (2004) notes, failure to consider the socio-cultural needs of people can result in the provision of unacceptable or undesirable housing, particular for lower- and middle-income groups, which aggravates their exclusion from development and compounds deprivation.<sup>187</sup>

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<sup>184</sup> Ibid., p. xv.

<sup>185</sup> ESCWA, *Social Aspects of Housing Policy in the Arab Region*, forthcoming publication.

<sup>186</sup> Ibid.

<sup>187</sup> Chiu, 2004, pp. 65-76.

## VII. SOCIAL COHESION AS AN INDICATOR OF INCLUSIVE DEVELOPMENT

According to OECD, a socially cohesive society is one that “works towards the well-being of all its members, fights exclusion and marginalization, creates a sense of belonging, promotes trust, and offers its members the opportunity of upward mobility”.<sup>188</sup> While there are many different definitions and interpretations of the “vague and elusive” concept, all contain three distinct components, namely: social inclusion or integration, social capital and social mobility.<sup>189</sup> These three constituting elements of social cohesion provide a critical prism by which to approach inclusive development in the Arab region. Over all, social cohesion can be defined as “the capacity of societies (not just groups, networks) to peacefully manage collective action problems”.<sup>190</sup> Furthermore, OECD notes that social cohesion is “both a means to development and an end in itself and is shaped by a society’s preferences, history and culture. Shifting wealth provides new opportunities and risks for the development of social cohesion in emerging economies, and addressing them requires a holistic policy approach, particularly in the areas of fiscal, employment and social policies”.<sup>191</sup>

As developing and emerging countries grow economically, they radically transform the quality of life that citizens demand—of which some attain and others do not. The transition that comes with economic growth is not simple; it is accompanied by myriad challenges ranging from income inequalities to strong feelings of alienation and disconnection between publics and national elites. The Arab region, especially after the 2011 uprisings, offers a critical reminder of the perils that governments may face by ignoring or failing to include appropriate social cohesion and integration in their policy frameworks. The development of a scheme of indicators and an agreed upon framework of analysis of social cohesion in the region would assist international organizations and governments in addressing the diverse challenges to inclusive development in the different countries of the region.

### A. MEASURING SOCIAL COHESION: POTENTIAL INDICATORS

Insofar that social cohesion combines the three lenses of social inclusion, social capital and social mobility a combination of quantitative and qualitative measures and analysis is required. There are existing scholarly and policy discussions on the various indicators available to measure cohesion. One set of indicators designed by OECD offers an interesting lens to measure cohesion in the Arab region, namely: (a) life satisfaction; (b) trust; (c) social behaviour; (d) suicide; and (e) political participation as measured by voting.<sup>192</sup>

Perceptions-based data from opinion polls and surveys offer various indicators that may be used by policymakers in assessing the current overview of social cohesion in the Arab region and in constructing appropriate indexes to properly measure social cohesion. Specifically, the Arab Barometer (wave II) and Gallup World Poll (2013) offer a wide range of questions on satisfaction with various aspects of daily life and examine the level of trust respondents express towards each other, the State and its institutions.<sup>193</sup> For example, such questions as “how would you evaluate the performance of the current government in narrowing the gap between the rich and poor” and “how difficult or easy it is to obtain access to a concerned official to file a complaint when you feel your rights have been violated” offer potential insights into citizens’ perceptions of the nature of inclusive institutions (or lack thereof) governing them. These issues are

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<sup>188</sup> OECD, 2011, p. 17.

<sup>189</sup> Ibid.

<sup>190</sup> Woolcock, 2011.

<sup>191</sup> OECD, 2011, p. 51.

<sup>192</sup> OECD, 2012b, pp. 85-95.

<sup>193</sup> More information on the Arab Barometer and Gallup World Poll is available from <http://www.arabbarometer.org/> and <http://www.gallup.com/services/170945/world-poll.aspx>, respectively.

presumed to have a substantial impact on a State's social cohesion and on a citizen's sense of civic engagement and belonging.<sup>194</sup>

## B. SOCIAL COHESION IN THE ARAB REGION

Segmented labour markets in the Arab region, as discussed above, have led to a situation of “welfare dualism” or “truncated welfare systems”, thereby dividing those in the formal labour market and who therefore receive social benefits and protection from those who are in the informal economy and are therefore excluded.<sup>195</sup> Consequently, inclusive labour market institutions and social protection systems play a critical role in mitigating segmentation and promoting social cohesion in societies.<sup>196</sup> It is proposed that labour markets hold the key to social cohesion via the influence on the level of earnings and offering a mechanism for social mobility and economic integration.<sup>197</sup> Moreover, evidence from the social capital literature suggests that jobs and the workplace are important arenas and spaces of social interaction that can help to foster bonds between individuals.<sup>198</sup> The World Bank's 2013 *World Development Report on Jobs* further clarifies this link between labour markets and social cohesion;<sup>199</sup> and suggests that with the transition from low to lower middle income countries, formal employment emerges as a “determinant of a range of outcomes relating to social cohesion, such as the density of social associations or levels of political activism. There are also indications of an increasing association between work and life satisfaction across higher and lower middle income countries”.<sup>200</sup>

## C. DRIVERS OF COHESION

In order to understand the state of social cohesion in the region today, it is necessary to examine the factors that influenced the 2011 uprisings. The major drivers of the events of 2011 are discussed throughout this report but a brief discussion is provided below.

The authoritarian bargain had heavily determined the state of public life and governance across the region.<sup>201</sup> According to this model, authoritarian regimes focused State resources on rewarding their supporters and containing their opponents. Authoritarian governments would thus offer their constituents the political stability that comes with uncontested leadership as well as economic and social safety.<sup>202</sup>

Such policies are rooted in the political economy of Arab countries following World War II as an attempt to break away from earlier elitist policies. Public services were intended to be free, subsidies increased and welfare programmes introduced in the hope of creating better living standards for all. State intervention aimed at establishing political legitimacy and a sense of strong nationhood. Countries in the 1950s and 1960s increased their expenditures on public services (such as health and education) and expanded public employment by offering guaranteed jobs to university graduates in the public sector.<sup>203</sup> However, such policies became unsustainable in the early 1980s as the demand for such services exceeded the State's

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<sup>194</sup> Arab Barometer, n.d.a.

<sup>195</sup> Assaad, 2013.

<sup>196</sup> International Labour Organization, 2012a, p. 116.

<sup>197</sup> OECD, 2011, p. 154.

<sup>198</sup> Saguaro Seminar on Civic Engagement in America, 2000, pp. 12-26.

<sup>199</sup> The World Bank, 2012.

<sup>200</sup> Wietzke, and McLeod, n.d., p. 21.

<sup>201</sup> Heydemann, 2015, p. 16.

<sup>202</sup> Achy, 2012.

<sup>203</sup> International Labour Organization, 2012a, p. 74.

capacity to supply. Plummeting oil prices combined with populist policies, an increasingly large young population (what is known as the youth bulge) and inefficient bureaucracies have forced States into fiscal cuts, market liberalization and increasing the size of the private sector in provision of goods and jobs.

Eventually, the authoritarian bargain became not only unsustainable but undesirable.<sup>204</sup> Not only were the growing middle classes demanding new standards of living, they were unwilling to accept the previous bargain whereby they would exchange economic benefits for political freedoms.<sup>205</sup> It is important, here, to draw attention to the absence of inclusive public institutions that allowed citizens to express their grievances and participate in determining their political, economic and social realities. Without these seminal institutions, publics mobilized, challenging the legitimacy of their governments and the ability of public institutions to provide necessary economic and social services.

#### D. EXAMINING THE DATA

Across the region, the political, economic and social systems have tended to be based on personal networks rather than on merit-based forms of governance. Recent data provided by the Arab Barometer and Arab Opinion Index strengthen this claim, thereby revealing a serious absence of inclusive development. According to the 2014 Arab Opinion Index, Arab publics have more confidence in the military and security apparatus than in the legislative, executive and judicial branches of government.<sup>206</sup>

Jamal and Nooruddin (2010) offer an interesting insight on the impact of non-inclusive institutions and poor government performance on trust. They contend that “existing government institutions play an important role in promoting levels of generalized trust because, in democracies and non-democracies alike, political confidence in existing political institutions is linked to higher levels of generalized trust”.<sup>207</sup> The dearth of inclusive government institutions in the countries in the region helps to explain the prevalence of the weak trust in the State, which represents a critical component of social cohesion. Citizens across the region have expressed considerable dissatisfaction with their governments in terms of delivery of services and the ability to help the poor.<sup>208</sup>

The rentier State aspects in the region tend to pose additional obstacles to social cohesion as the fiscal systems of these countries remain underdeveloped. Consequently, it is more difficult for civil society in these countries to hold their governments accountable. For instance, the executive branch is often too strong with no appropriate checks and balances from the system (such as the judiciary or the parliament). External accountability mechanisms are still being developed, such as empowering civil society and citizens to monitor their governments, granting them freedom of association/expression and providing them with enough information about their rights and entitlements.

The structural gaps in the economic system across the Arab region heighten tensions between elites and broader local communities, fostering systemic grievances and generating the fragmentation of society; subsequently, the absence of inclusive institutions further deteriorates trust in the State and its legislative, executive and judicial capacities. This combined effect paints a bleak image of cohesion in the region, highlighting the need to develop inclusive mechanisms where members of society do not feel alienated and excluded, and where they are offered fair and transparent means to move upwards economically and socially. Public institutions, especially those that provide public services, such as health and education, can help to generate common values and strengthen trust between citizens and the State. This is a process that is integral to making societies more cohesive and stable.

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<sup>204</sup> Achy, 2012.

<sup>205</sup> ESCWA, 2014a.

<sup>206</sup> Arab Center for Research and Policy Studies, 2014.

<sup>207</sup> Amaney and Nooruddin, 2010, p. 45.

<sup>208</sup> Silva, Levin and Morgandi, 2013, p. 5.

## VIII. THE WIDER POLITICAL CONTEXT OF INCLUSIVE DEVELOPMENT AND POSSIBLE WAYS FORWARD

The uprisings of 2011 rejuvenated optimism and hope for social justice, inclusion and freedom across the region. However, long-standing and inert authoritarian power structures have transformed this opportunity into political instability and conflict in several countries in the region, jeopardising – at least for the foreseeable future – a positive social reform agenda. This has resulted in missed opportunities to channel dissent into concrete policy influence, to build more inclusive social contracts based on merit and sharing burdens among all citizens. In this sense, one of the main lessons learned is that dignity, freedom and social justice have to be emphasized as the basis for any future inclusive development policy agenda. Providing policy options for ISD is challenging at a time when the region is in a state of flux. In the short term, possibilities and opportunities for change will be dependent on how quickly stability can be restored to conflict-affected countries. Addressing deeply entrenched vulnerabilities, poverty and vested interests will require time and action across a range of sectors. However, generating high-level political will and capacity for increased investments in policy sectors that support inclusive development, such as public health and education, will be the major requirement for any significant progress to be made on ISD.

### A. “BUSINESS AS USUAL” VERSUS A TRANSFORMATIVE MODEL FOR INCLUSIVE DEVELOPMENT

Recently, United Nations consultations on the post 2015 agenda have emphasized the need for a universal agenda that engages all social groups, in particular the marginalized such as refugees, informal and migrant workers, and persons with disabilities. However, such dialogue needs to stress further a new model focused on political transformation as a key prerequisite for creating development policies that are inclusive and that facilitate the participation of all social groups in society.

*Recommendation 1:* A model of social policy and inclusive development is urgently needed to encompass both the priorities carried over from the previous decades, including the MDG agenda, as well as the multitude of new frameworks under development, such as the social determinants of health and SDGs. The achievement of ISD should be measured according to the resources available in each society but also according to common international resources.

### B. ON GOVERNANCE AND INCLUSIVE DEVELOPMENT

This report acknowledges the fact that political, economic and social systems across the region tend to be based on personal networks rather than merit-based mechanisms.

Among what constitutes good governance is a combination of institutional arrangements, laws and the wider decision-making systems that should serve the interests and well-being of the whole of society, and not only of those in power and their supporters. In the region, it is now widely acknowledged that the type of governance that has characterized the region since the 1970s, based on a rentier political economy and on exchanging political freedoms for the expanded provision of public services, low taxation and security, reached its tipping point in 2011. This system can no longer function without creating further domestic conflicts; it urgently needs to be replaced with a progressive transformational model. This will help in breaking with the cycle of institutionalized privilege represented by, but not limited to, the existence of different social insurance funds for different occupational groups.

*Recommendation 2:* In monitoring the implementation of the new frameworks, such as SDGs, inclusive development should be measured not only in terms of outcomes but also in terms of governance effectiveness, transparency and political accountability. Specific indicators can be conceived based on best practices of measuring good governance combining, among others, institutional arrangements, laws and the wider decision-making systems that should serve the interests and well-being of the whole of society, and not only of those in power and their supporters.

### C. THE LABOUR MARKET: TOWARDS DECENT WORK AS ONE OF THE KEY PREREQUISITE FOR INCLUSIVE DEVELOPMENT

In terms of the labour market, the report highlighted the main characteristics of the region, such as market rigidities, low demand, and low levels of enterprise and SME formation. The development of new business opportunities and entrepreneurship should not be the preserve of the powerful few. Labour markets are highly segregated along public and private sector, gender and national/expatriate lines as well as formal and informal sectors, all of which undermine entrepreneurship among educated youth. This has continued to create unsustainable public sector employment bubbles which few countries can afford to service fiscally.

The labour market is a key element and conduit for poverty reduction and social mobility. However, many people in employment suffer from in-work poverty and underemployment. Job quality and working conditions should be considered as components of inclusive labour markets. The decent work concept defined as “opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity” could be used as a key proxy to measure how far government policies are becoming more inclusive. Decent work and indicators of job quality are poor across the region. Large segments of the Arab labour force are engaged in the informal economy with little or no social protection and often non-existent health and safety measures, all of which create working conditions that have negative effects of employee health and well-being, and that offer little possibility of moving out of poverty.

*Recommendation 3:* Overcoming dualism in the labour market needs a long-term approach given that employment levels in the region are the result of domestic policies, but also given that they are affected by a highly volatile economic environment, augmented by political risk and uncertainty. In order to be able to influence labour market outcomes and to provide targeted assistance in the form of job training, job placement or other similar needs, governments need to develop a policy infrastructure that enables them to reach beyond the urban middle classes out to the informal sector. This also requires expanding statistical systems and analytical capacity to provide differentiated information regarding the situation of vulnerable groups in different geographical locations.

### D. INCLUSIVE SOCIAL PROTECTION

Social protection is at the core of a transformative agenda. At present, governments are often relatively thinly stretched by trying to provide comprehensive services to a fast-growing population. This leaves behind considerable gaps in terms of quantity as well as quality of the essential services. While middle and higher income groups are able to resort to the private sector, vulnerable groups depend on public services, which often fail them.

*Recommendation 4:* A progressive reform agenda that addresses the welfare dualism is highly encouraged. In particular, a welfare system based on solidarity among all citizens that is progressing towards a social protection floor, including pensions, health insurance and child benefits. A new development framework should take a holistic perspective on social protection by removing fragmentation and duplication of different small-scale programmes and by building unified registries of eligible recipients. It should ensure a social protection floor but also explore synergies with labour market and employment policies, as well as with such essential social services as housing and water and sanitation.

### E. ENSURING RIGHTS AND ACCESS TO GOOD QUALITY EDUCATION AND HEALTH SERVICES

Access to good quality public services are major concerns in many Arab countries. As detailed throughout this report, they present major barriers to generating long-term inclusive social development and reducing the experience of inequality as suffered by millions of people across the region. An inclusive approach to both health and education should involve securing services that are not the prerogative of the

elite, but are accessible to all regardless of income, including traditionally disadvantaged and vulnerable groups. Unequal access to educational and health opportunities reinforces existing and gross inequities along gender, sectarian, ethnic, age and socio-economic lines, thereby exacerbating social exclusion.

*Recommendation 5:* A transformative model to social policy and inclusive development should be holistic in its scope and coverage. Political, governance and labour market reforms would not work if these are not accompanied by structural reforms of public services, such as education and health services. The new inclusive development framework should monitor policy outcomes beyond solely access to cover quality aspects.

## F. INCLUSIVE CITIES

The right to adequate, affordable housing is an essential component of inclusive development. Few images make the social divide more visible than the contrast between luxury villas and urban slums, often merely a few kilometres apart. In the Arab region, the housing and construction sector is one of the main drivers of economic growth. At the same time, several countries, such as Egypt, Jordan and Morocco, have introduced new housing policies since 2008. Nevertheless, the lack of adequate housing was also one of the underlying factors of Arab uprisings.

*Recommendation 6:* Countries should take a participatory approach towards developing adequate housing for vulnerable groups. This includes policies that support affordability of housing, including by decreasing transaction costs and supporting mortgage and loan schemes, as well as by ensuring transparency in land-use planning. Accessibility of cities, transport and housing for persons with disabilities needs to be ensured.

## G. SOCIAL COHESION AS AN INDICATOR OF INCLUSIVE DEVELOPMENT

The report considered social cohesion as a key requisite and outcome of a society that “works towards the well-being of all its members, fights exclusion and marginalization, creates a sense of belonging, promotes trust, and offers its members the opportunity of upward mobility”.<sup>209</sup> However, such concepts as social cohesion, social capital and integration themselves are heavily contested within academia and government policy and often have multiple meanings in different contexts. Care should be taken by decision makers when considering how their policies may affect cohesion. In particular, it will be important to ensure that a working definition should be theoretically and empirically grounded.

*Recommendation 7:* The new inclusive development framework should include in its monitoring efforts a working definition of cohesion for the Arab region that can be adapted to particular country contexts. This could be complemented by national surveys that aim to measure key aspects of cohesion and social capital, namely, social trust between citizens and trust in government. Drawing on the lessons from the 2011 uprisings, the development of a scheme of indicators and an agreed-upon framework of analysis of social cohesion in the region would assist in addressing the current and future challenges to inclusive development models. It would also enable national policymakers to monitor how their policies and interventions, in addition to such external events as refugee movements, have impacted on social stability at national and local levels.

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<sup>209</sup> OECD, 2011, p. 17.

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