

UNDP Releases the First Arab Human Development Report

Executive Summary

The Arab Human Development Report 2002 places people squarely at the centre, as both subject and object of development in all its dimensions: economic, social, civil, political, and cultural. It provides a neutral forum to measure progress and deficits, propose strategies to policymakers, and draw attention to country problems that can benefit from regional solutions. It is guided by the conviction that solid analysis can contribute to the many efforts underway to mobilize the region's rich human potential. The Report's key messages are simple and compelling:

There has been considerable progress in laying the foundations for health, habitat, and education. Two notable achievements are the enormous quantitative expansion in educating the young and a conspicuous improvement in fighting death. For example, life expectancy has increased by 15 years over the last three decades, and infant mortality rates have dropped by two thirds. Moreover, the region's growth has been "pro-poor": there is much less dire poverty (defined as an income of less than a dollar a day) than in any other developing region.

But there have been warning signals as well. Over the past twenty years, growth in per capita income was the lowest in the world except in sub-Saharan Africa. At an annual growth rate of 0.5% annually, if such trends continue in the future, it will take the average Arab citizen 140 years to double his or her income, while other regions are set to achieve that level in a matter of less than 10 years.

Labour productivity has been low and is declining. In fact:

- Total factor productivity declined at an annual average of 0.2% during 1960 – 1990, while it rapidly accelerated in other parts of the world.
- Compared to the Asian Tigers, per capita output was higher than the average of this group in 1960. Now it is half that in Korea.
- The productivity of Arab industrial labour in 1960 was 32% that of the North American level. By 1990, it had fallen to 19%.

The decline in workers' productivity has been accompanied by deterioration in real wages, which has accentuated poverty. It is evident that in both quantitative and qualitative terms, Arab countries have not developed as quickly or as fully as other comparable regions. From a human development perspective, the state of human development in the Arab world is a cause for concern.

Achievements by the Arab region on the Human Development Index (HDI) in the past decade were lower than the world average. Relative to other regions, the Arab world does better on income indicators than on development indicators. Thus it can be said that the Arab region is richer than it is developed. Although income poverty is low compared to other parts of the world, the Arab region is hobbled by a different kind of poverty - poverty of capabilities and poverty of opportunities. These have their roots in

three deficits: freedom, women's empowerment, and knowledge. Growth alone will neither bridge these gaps nor set the region on the road to sustainable development.

The way forward involves tackling human capabilities and knowledge. It also involves promoting systems of good governance, those that promote, support and sustain human well-being, based on expanding human capabilities, choices, opportunities and freedoms (economic and social as well as political), especially for the currently poorest and most marginalized members of society. The empowerment of women must be fully addressed throughout.

The Foundations

The people: The combined population of the 22 Arab countries covered by this Report was 280 million in 2000, 5% of the world. Arabs are younger than the global average: 38% are aged 0 -14. Migration within, from and to the Arab region is an important demographic feature, as is urbanization: half the population lives in cities compared to a quarter in 1950. Growth rates are still high: there will be between 410 and 459 million Arabs in 2020, with a slightly older age structure than that of today. The new demographic profile will present both challenges and opportunities for Arab countries. Population size, growth and age distribution can be either a demographic gift or a curse, depending on whether countries can use the human potential represented by their populations well enough to satisfy people's aspirations for a fulfilling life.

Health: People in most Arab countries live longer than the world average life expectancy of 67. However, disease and disability reduce life expectancy by between five and 11 years. Arab women have lower life expectancy than the world average, partly due to high maternal mortality ratios. Disability is higher for females than males, which points to women's health as a priority for policymakers. Some progress has been made in reducing mortality rates for children under five. The Arab region was the first in the developing world where most countries reduced mortality rates of under-five children to the target of 70 per thousand by 1990, well ahead of the global goal. But there still are large disparities among and within Arab countries in under-five mortality rates, with rural areas comparing unfavourably to urban ones. A major health challenge consists of high rates of halted growth, reaching 50% of under-five children in some poor and war-torn countries. Road accidents and tobacco are significant causes of death: 182,000 Arabs died from tobacco-related conditions in 1998. HIV/AIDS is lower than in other regions but is still a cause for concern. Most Arab countries spend around 4% of GDP on health, less than the middle-income country average of 5.7%. Vulnerable groups could be at risk in current health sector reforms.

Health systems in Arab countries generally focus on physical rather than mental or social health and hence they tend to neglect measurements for lack of comfort, lack of contentment and perceived health disorders. In many Arab countries, the elderly can be at a disadvantage as social security benefits for old people are very limited and insufficient.

Health systems also focus mainly on curative health in Arab states, especially at the secondary and tertiary levels. This leads to increased costs, especially with the resort to advanced technology; and leaves a significant proportion of the population without

adequate services. The challenge to health systems in many Arab countries includes not only raising overall standards but also ensuring greater fairness and fewer disparities.

Habitat: Fifteen Arab countries are below the water “poverty line” - less than 1,000 cubic metres per person per year. Land-based pollution is creating coastal zone degradation that is costing countries \$1 to \$2 billion a year in lost tourism. Cultivated land per capita in Arab countries dropped from an average 0.4 hectares in 1970 to 0.24 hectares in 1998. Conflicts and wars have aggravated pressures on the environment. In addition, there are environmental problems of global dimensions, with the erosion of the ozone layer at the forefront. There is an urgent need for environmental protection strategies to halt environmental degradation and promote cleaner production.

Education: Arab countries have made tangible progress in improving literacy: adult illiteracy dropped from 60% in 1980 to around 43% in the mid-1990s; female literacy rates tripled since 1970. Yet 65 million adults are illiterate, almost two-thirds of them women – this is not expected to disappear for at least a quarter century

As a group, Arab countries spend a higher percentage of GDP on education than any other developing region. By 1995, over 90% of males and 75% of females were enrolled in primary schools, and nearly 60% of males and nearly 50% of females were enrolled in secondary education. However, about 10 million children between 6 and 15 years of age are out of school. Enrolment rates in higher education remains limited to 13%. Though higher than the average for developing countries (9%), this rate is lower by far than those prevailing in industrialized countries (60%). Moreover, the share of girls is noticeably limited, at the third (higher) level. Despite the rise in the number of children enrolled in pre-primary education in Arab countries, enrolment ratios are below their counterparts for developing countries, especially for females. More vulnerable social strata such as women and the poor especially in rural areas, suffer more deprivation of education, a deprivation tending to be accentuated at higher education levels.

Downward pressures on government spending in the context of structural adjustment, together with inflation, the expansion of poverty and the introduction of educational fees as a cost-recovery measure, have had negative effects on the accumulation of human capital, with detrimental effects on the poor and women. The result has been a trend whereby quality education is increasingly available only for the well-to-do. Hence the loss of education’s hitherto significant role as a tool of social mobility in Arab countries.

There is evidence that the quality of education has deteriorated, implying a decline in knowledge acquisition and analytical and creative skills. The mismatch between the labour market and level of development on the one hand, and the system of education on the other, results in weak labour productivity, imbalances in the wage structure, the preponderance of unemployment and the decline of real wages for the vast majority. All this implies weak economic and social returns on education. If the present rate of progress is maintained, decades would elapse before illiteracy is eradicated or enrolment in education reaches the level attained by developed countries in the mid-1990s.

The economy, creating full employment and reducing poverty: GDP in all Arab countries combined stood at \$531.2 billion in 1999 (less than Spain at \$595.5 billion). Successful stabilisation in the 1990s led to low inflation and budget deficits, and governments have provided much growth-supporting physical infrastructure. Yet growth rates remain stagnant and overly vulnerable to oil price fluctuations. By 1998, the real income of the Arab citizen adjusted for purchasing power parity had on average fallen to 13.9% of that of the OECD citizen.

As noted earlier, Arab countries have the lowest level of dire poverty in the world (measured at less than \$1 a day), together with low levels of inequality. Nonetheless, one out of every five Arabs lives on less than \$2 per day. Poverty of capability is more pronounced as a result of the high rates of illiteracy, and inadequate access to quality education and learning.

Open unemployment in the Arab region was estimated to be no less than 12 million in 1995, around 15% of the labour force. If present rates continue, the number is expected to rise to 25 million in 2010.

There are pronounced institutional impediments to employment generation in Arab countries. Labour markets are traditional, severely segmented and dysfunctional, labour-market intermediation, through employment exchanges, is ineffective. Structural adjustment packages have also played a role by paying insufficient attention to reforms that build competitive, efficient labour markets, an essential requirement for growth.

The Report Team polled a cross-section of Arab youth. Job opportunities and education were amongst the main concerns of the young. In a worrying trend, 51% of older adolescents interviewed and 45% of younger ones expressed a desire to emigrate, clearly indicating dissatisfaction with current conditions and future prospects in their home countries.

The Team underscores the fact that cross-border and internal conflicts are serious obstacles to security and progress. The most pervasive is Israel's illegal occupation of Arab lands, which denies the most basic Palestinian human rights. Beyond this issue and more broadly, the human and material damages of conflicts, sanctions and embargoes and their impact on the progress of peoples and nations are incalculable.

The Deficits

An analysis of the global Human Development Index reveals that the range of disparity among Arab countries is almost as large as that for the entire world. Kuwait scores only slightly lower than Canada, the world leader, while Djibouti is close to Sierra Leone, the country with the world's lowest HDI value.

Given the importance of broader challenges to human development – such as those related to freedom, gender equality and knowledge acquisition – the Report Team asks: is it perhaps time to look beyond the limited measurement of human development as reflected in the HDI? In a personal contribution, the Report's lead author explores the parameters, methodology and impact of an alternative index that could be the starting

point for further research. The use of this alternative reorders the ranking not just of Arab countries, but of all countries.

Despite differences across the region, three critical deficits face all Arab countries: freedom; women's empowerment; human capabilities and knowledge relative to income.

Freedom: Using the freedom index to characterize the extent of freedom in Arab countries compared to the rest of the world, shows that out of the seven regions of the world Arab countries had the lowest freedom score in the late 1990s. This low level of freedom in the region is confirmed by another set of indicators of "voice and accountability". This set includes a number of indicators measuring various aspects of the political process, civil liberties, political rights and independence of the media. The Arab region has the lowest value of all regions of the world for voice and accountability.

Political participation in the Arab region is still limited compared to other regions in spite of noticeable improvements in some Arab countries in the last quarter century.

Civil society actors continue to encounter several external constraints in playing their role effectively. Bureaucratic constraints in the form of control of civic associations by public authorities present serious problems. The attitudes of Arab public authorities range from opposition to manipulation to "freedom under surveillance". The media is at best partly free.

Women's Empowerment: Utilisation of Arab women's capabilities through political and economic participation remains the lowest in the world in quantitative terms. Women occupy only 3.5 per cent of all seats in parliaments of Arab countries compared to 11% in sub-Saharan Africa and 12.9% in Latin America and Caribbean countries. In many countries of the region, women suffer from unequal citizenship and legal entitlements. In some countries with elected national assemblies, women are still denied the right to vote or hold office. And one in every two Arab women can neither read nor write. Society as a whole suffers when half of its productive potential is stifled. These deficits must be addressed in every field: economic, political, and social.

Knowledge: Over and above the capability gap caused by large-scale illiteracy and deficiencies in the education system, serious knowledge deficits include weak systems of scientific research and development, and low access to ICT. Scientific expenditure in Arab countries was less than 0.5% of Arab GDP for 1996, compared to 1.26% for Cuba and 2.9% for Japan in 1995. Investment in research and development (R&D) is less than one seventh of the world average. The Arab region also has the lowest level of ICT access of any world region: only 0.6% of the population uses the Internet, and personal computer penetration is 1.2%.

The digital gap between Arab countries and the advanced world has widened. This can be attributed to the nature of the Arab ICT industry, which is highly susceptible to monopoly and merger, the high costs of building infrastructure, the large Arab brain drain, and the growing imbalance in the distribution of wavebands between advanced and developing countries with regard to telecommunications. Cyberspace is becoming a crowded place and powerful players are taking up much of the room.

There are also information disparities between Arab states, even when levels of human development are similar. In addition, there are factors widening the digital gap within each Arab country, with language being the decisive factor. Current Arab policies to address the divide focus on infrastructure, especially in the field of communications. Although helpful, such attempts will not yield the desired benefits unless equal attention is paid to the element of content. Most of the material on the Web is in English, a language spoken by few in the region. The dearth of Arabic material on the Net will continue to deprive Arabs of the benefits of the information age even if access itself improves.

The Way Forward

The resources for development exist in the Arab region. The question is: where should they be placed to maximum effect? According to the 1996 Human Development Report, every country that sustained both human development and economic growth accelerated advances in human development first, or pursued both objectives simultaneously.

In the Arab region, three areas stand out as investment priorities: Building Arab capabilities and knowledge; using human capabilities through re-invigorating growth and productivity; and promoting good governance.

Building Arab capabilities and knowledge: Several strategies are proposed, beginning with the foundations. The Report calls on governments to ensure 100% enrolment in basic education, increase mandatory schooling to 10 years, support self-learning and life-long education, and forge tighter links between school life and the realities of life outside the schoolroom. It also points to the opportunity to further Arab cooperation in education, particularly in higher education, curriculum development, textbook production and teacher training – all areas where a common language presents advantages.

A key driver of change would be a transformation in attitudes and societal incentives to support greater creativity and innovation. The rules of the social game need to be modified to provide incentives for embracing change and to afford real opportunities for social recognition, renewal and advancement to those who work in areas of knowledge.

Investing in knowledge begins by setting a clear agenda for investment in science and technology and R&D. The share of R&D should be increased from the current less than 0.5% of GDP to 2% by the end of the decade. The region can capitalize on economies of scale while addressing pan-Arab concerns, for example, in areas relating to water scarcity, oil, health, codes and standards, and other common needs. Arab governments and institutions should tap the expertise of the one million highly qualified Arabs working in industrialized countries.

The region can build on recent country experiences in ICT - the Dubai Internet City, and the Smart Village in Egypt – in a drive to spread information and communication technology. In addition, the telecommunications sector must be reformed to guarantee

deregulation and open up competition to encourage local and foreign investors. Another priority area is investing in specialized computer personnel and Arabic-language software for general education, adult training, and life-long learning – linking this to the actual needs of the labour market. Most importantly, special efforts are needed to reach women through ICT and to invest in building up their expertise in this technology.

The Report argues that the most important component of the information industry, the element of content, has so far not been taken seriously by policy makers in the Arab world. Hence, it calls for concerted efforts to develop content in Arabic. It suggests that digitising aspects of cultural heritage such as text, film, music, radio and television recordings should become a priority. It argues that the way forward lies in giving Arab artists, professionals, scholars, students, entrepreneurs and other social groups incentives to publish and popularise their work on the Internet, rather than in trying to decree certain types of content. Freedom to choose what to publish and to associate with other users will drive the Arabization of information content faster and more surely than any type of compulsion. The media has already taken the lead in this respect by placing Arabic newspapers on the Web.

Using human capabilities by reinvigorating the economy: Achieving sustained and equitable economic growth is intimately connected with both the process and the goals of human development. Renewed growth is a necessary, although not a sufficient, condition to meet the challenge of employment, fully use human capabilities and overcome poverty. Reinvigorating Arab economies requires a multi-sectoral approach, and one that relies heavily on strengthening human development.

The report emphasizes the need to mobilize the private sector within an enabling policy and regulatory environment. In addition, the private sector should be engaged, together with government and academia, in R&D, and focus on human-intensive rather than capital-intensive R&D, particularly “knowledge sciences” such as information technology, mathematics, theoretical and device physics, and economics. Governments should disengage from productive activities while strengthening their regulatory role to ensure openness and competitiveness. The objective should be to encourage global and not just regional competitiveness. The bottom line is that domestic markets are too small to provide the basis for sustainable growth based on manufacturing and services. For this reason, the most viable response to globalization is openness and constructive engagement in which Arab countries both contribute to, and benefit from globalization. Hence the goal of inter-Arab integration has become critical, to survive and compete, including through creation of a customs union or a common market. Arab co-operation can bring added value if the region focuses on a small number of specialized centres of excellence in fields where distinctive capabilities exist. These include water desalination in the Gulf States, computer programming in Egypt and Jordan, the phosphate industry in Morocco and Tunisia, or petrochemicals in Saudi Arabia.

The legitimacy and strength of states and their institutions are inextricably linked to their capacity to mobilize and be mobilized in the fight against poverty. This implies that it is essential to mainstream human development and poverty reduction within national economic policy. Human development is vital to the region’s success in reinvigorating economic growth. The basic priority for policy in Arab countries is to

create a virtuous cycle whereby economic growth promotes human development and human development in turn promotes economic growth.

Policies that discourage employment creation should be reversed as part of a move towards full employment. Necessary actions include: monitoring the labour market and supporting measures for pro-poor human capital accumulation through education, training, and health care systems, and institutional reform.

There is also an urgent need to reverse the feminisation of unemployment by removing gender bias in labour markets, including gender-based occupational segregation and wage differentials, and by addressing gender gaps in the quality and relevance of education and training. Similarly, in efforts to strengthen local capacity to deliver micro-finance services beyond the less than 2% of poor households that can currently access financial services, priority must be given to women entrepreneurs. Overall, social safety nets must be expanded and transfer programmes increased from 0.2% to about 1% of GDP.

At the same time, steps need to be taken to ensure that growth does not harm the environment, and to work for environmental protection and regeneration, as called for by Arab environment ministers in the February 2001 Abu Dhabi Declaration.

The report acknowledges the destructive impact of conflicts. They are not only human disasters and sources of volatility and political instability; they are also a major constraint on high and sustained growth. Resolving these conflicts would obviously require a just and comprehensive resolution of the Arab-Israeli conflict, which is at the core of the region's political crisis. In addition, addressing the damage wrought by civil wars requires a fundamental rethinking of how to respond to, and reconcile, cultural and religious groups in the Arab world.

Enhancing social cohesion in the Arab world will not only yield large dividends for societies and economies; it will also help them to be resilient in the face of the increased economic shocks associated with globalization. Strengthening cohesion requires improving political rights and political, social and economic participation. It also calls for policies of inclusion and the expression of solidarity with the poorest segments of society.

Promoting good governance: Higher levels of human development cannot be achieved in Arab countries without improving key aspects of governance systems. This would require reforming the essence of governance: i.e. state institution; and activating the voice of the people. The most important of state institutions is that of representation and legislation which provides the basic link between the governance regime and the people. Liberating human capabilities in Arab countries requires comprehensive political representation in effective legislatures based on free, honest, efficient and regular elections. Reforming public administration is also a central and urgent task for Arab countries. Governments need to perform their functions as providers of public services and enforcers of contracts, in an effective, efficient and transparent manner. Public sector institutions need to be reformed to encourage private-sector investment and growth, to curb monopolies and to end graft and cronyism.

Legal reform should be at the core of institutional reform in Arab countries because the rule of law embodied in legal and judicial institutions, is the foundation on which all other societal and governance institutions are built, including fair and honest political representation and effective and responsive public administration. The reform needs to focus on ensuring that the law and associated administrative procedures guarantee citizen's rights and are compatible with fundamental human rights, particularly the rights to freedom of expression and freedom of association for all, under the aegis of a truly independent judiciary that impartially enforces the rule of law. The First Arab Conference on Justice pointed to the way forward in its 1999 Beirut Declaration for Justice.

Liberating human capabilities requires activating the voice of the people. This requires moving productively forward in three critical areas: strengthening institutions of local governance: liberating civil-society organizations: and fostering free and responsible media. Promoting local governance involves far more than the mere decentralization of central government control mechanisms. It should provide opportunities for more effective participation by local communities, particularly the poor, in combating poverty broadly defined, notably through efficient, pro-poor provision of basic services such as education and health care. In order to empower Arab civil society two reforms are essential. First, legal and administrative obstacles hampering the establishment and effective functioning of civil society institutions need to be removed. Second, civil associations themselves need to be transformed into widespread popular movements, undertaking sustainable collective action.

There are examples on which to draw in reforming the political institutions of the state, such as efforts to strengthen representative democracies in countries like Morocco and Bahrain. The most powerful example on which to draw in activating the voice of the people comes from the women's associations in the Arab world, which have effectively raised and lobbied against formerly taboo subjects.

Full respect for human rights and freedoms are the cornerstones of good governance that can unleash creativity and serve empowerment and participation, leading to human development.

Finally, the Report observes that the Arab world is at a crossroads. The fundamental choice is whether its trajectory will remain marked by inertia, as reflected in much of the present institutional context, and by ineffective policies that have produced the substantial development challenges facing the region; or whether prospects for an Arab renaissance, anchored in human development, will be actively pursued.