

**A Note on Economic Insecurity
in the Arab Countries**

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Abstract

This note deals with economic insecurity in the Arab countries on the understanding that human security, in general, is a subset of human development defined as a process of widening the range of choices that people enjoy. It is noted that the two major components of human security are freedom from fear and freedom from want, and a major component of freedom from want is economic security. The most important aspects of economic security are real per capita income levels and their growth patterns; poverty, both material and human; employment opportunities; and, arrangements for social protection. The paper uses the most recent information to highlight the state of economic insecurity in the Arab countries. As is expected there is evidence to show that economic insecurity varies among the countries of the region from a low level of insecurity in the rich countries to a high level of insecurity in a number of countries with low and medium income.

مذكرة حول انعدام الأمن الاقتصادي في الدول العربية

الملخص

تتناول هذه المذكرة قضية انعدام الأمن الاقتصادي في الدول العربية وذلك على أساس فهم أن الأمن الإنساني، عموماً، يندرج تحت مفهوم التنمية الإنسانية بوصفها عملية لتوسيع نطاق الخيارات التي يتمتع بها البشر. ويلاحظ في هذا الصدد أن أهم مكونين للأمن الإنساني هما الأمن من الخوف والأمن من الجوع، وأن أهم مكون للأمن من الجوع هو الأمن الاقتصادي. كذلك يلاحظ أن أهم جوانب الأمن الاقتصادي تشتمل على مستويات الدخل الحقيقي للفرد وأنماط نموها، والفقر بمعنييه المادي والإنساني، وفرص العمل، والترتيبات المجتمعية للحماية. هذا وتستخدم الورقة أحدث المعلومات المتوفرة لتلقي الضوء على حالة عدم الأمن الاقتصادي في الدول العربية. وكما هو متوقع توضح الشواهد التطبيقية أن عدم الأمن الاقتصادي يتفاوت فيما بين الدول العربية من أدنى مستوى له في الدول العربية الغنية إلى مستويات مرتفعة نسبياً في أفقر الدول العربية.

¹ An expanded version of this paper, jointly authored with Khalid Abu Ismael of UNDP, appeared as a background paper for the forthcoming fifth Arab Human Development Report.

I. Introduction

At the outset it is worthwhile to note that human security is a subset of human development broadly defined as a process of widening the range of choices that people enjoy: "human security means that people can exercise these choices safely and freely and that they can be relatively confident that the opportunities they have today are not totally lost tomorrow" (UNDP (1994: 23).

Central to the above basic concept of human security are its two major components: freedom from fear and freedom from want. Such a formulation is not alien to the Arab culture, dominated as it is by Islamic teachings. A major constituent of freedom from want is economic security.

Fundamentally economic security requires an assured basic standard of living in the form of income or an economic entitlement (to eventually enable the satisfaction of basic needs). The sources of income include productive and remunerative work or "in the last resort from some publicly financed safety net" (UNDP (1994: 25)). On the basis of such an understanding we may identify the most important aspects of economic security as including real per capita income levels and their growth patterns; employment possibilities; poverty both in material and human senses; and, social protection.

In what follows we deal very briefly with these aspects of economic security in the Arab region. We hasten to note that in exploring the current status of economic security in the region we deal with all Arab countries for which reasonable data and information is available. This means that we will be excluding countries under foreign occupation (e.g. Palestine and Iraq), and those considered as failed states (e.g. Somalia). We trust that these are very special cases in which human security is threatened in an extreme fashion and as such deserve separate treatment.

To focus attention, and in view of the central importance of the entitlement to a decent standard of living in the analysis of economic security, in what follows we will use the World Bank's classification of countries into income brackets of low, low medium, high medium and high income countries⁽²⁾. According to this classification high income Arab countries are Bahrain, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates; while low income countries include Comoros, Mauritania, Sudan, and Yemen. The rest of the Arab countries belong to the middle income group: the upper middle income include Lebanon, Libya, and Oman; and lower middle income include the rest.

The remainder of this note is composed of five sections as follows: section (2) deals with income levels, followed by section (3) which deals with unemployment. Section (4) deals with poverty, both income poverty and human poverty while section (5) briefly comments on social safety nets. Section (6) concludes.

⁽²⁾ For 2008 country income groups are defined in terms of Gross National Income per capita, based on World Bank Atlas method. The groups are: low income with per capita income of \$950 or less; lower middle income (\$906-3595); upper middle income (\$3596-11115); and, high income (\$11116 or more).

II. Income Levels and Patterns of Growth

There is a huge diversity among Arab countries as far as per capita real income levels as concerned. Recent estimates for the year 2007 by the IMF (2008: p. 41, table 3) show that real per capita GDP varies from a high of US\$91839 for Qatar to a low of US\$1936 for Mauritania; a staggering ratio of 47.4 to one. The overall average real GDP per capita for the Arab region would be US\$7688.

Table (1) summarizes the latest evidence where figures between brackets are percentages).

Table (1): Real Per Capita GDP in the Arab Countries: 2007 in (US\$PPP)

Income Class	Number of Countries	Total GDP (in billions)	Total Population (millions)	Per Capita GDP (PPPUS\$)
Low Income	4	140.4 (6.3)	65.23 (22.5)	2152
Lower Middle Income	6	948.4 (42.5)	177.50 (61.2)	5343
Upper Middle Income	3	186.8 (8.4)	13.30 (4.6)	14045
High Income	5	955.9 (42.8)	34.22 (11.8)	27934
Total	18	2231.5	290.25	7688

Source: compiled from IMF (2007) and World Bank (2008).

At the level of details note that the low income Arab countries include the usual suspects of Djibouti (with a real per capita GDP of US\$ 2048), Mauritania (US\$ 1936), Sudan (US\$ 2086), and Yemen (US\$ 2300). The average income for this group of countries is US\$2152. The six low middle income countries are Algeria (with a per capita income of US\$6634); Egypt (US\$5292); Jordan (US\$4607), Morocco (US\$4106); Syria (4382); and Tunisia (US\$7476). The average income for this group is US\$4343, double the level of income of the low income group. The three upper middle income group of countries are Lebanon (US\$10317); Libya (US\$13355); and Oman (US\$20567). The average income of this group of countries is US\$14045, about 6.5 times that of the low income group and 2.6 times that of the low middle income group. Lastly, and as expected, the high income group of countries includes the remaining five Gulf Cooperation Council countries of Bahrain (US\$32533); Kuwait (US\$42000); Qatar (US\$91839); Saudi Arabia (22565); and the United Arab Emirates (US\$34755). The average income for this group of countries is US\$27934, almost two times the average for the upper middle group, five times that for the lower middle group and about thirteen times that for the low income group.

Be the above as it may, a major source of economic insecurity in the Arab countries is the fact that income growth in Arab countries has been historically driven by oil and oil-related revenues, either directly through fuels exports, as in all GCCs, Algeria, Libya and, more recently Sudan, or indirectly through transport and delivery of oil and oil-related goods and services, workers' remittances, intra-regional public and private expenditure (including both consumption and investment) and foreign aid, as in Egypt, Lebanon, Jordan and Yemen. This rendered long-run economic growth in

Arab countries to be volatile and subject to international oil market dynamics and geopolitical factors.

Table (2) compiles the evidence on the volatility of long-run real GDP per capita growth over the period 1961-2000, and the most recent medium-term period 2000-2006. The table reports the coefficient of variation for the Arab income groups compiled from the available time series reported in the World Development Indicators of the World Bank. For the income groups we use the simple average from the level of countries while for the Arab world we report weighted averages for the coefficient of variation, using the 2007 real GDP shares.

Table (2): Volatility of Real Per Capita GDP Growth in the Arab Countries: 1961-2006 (Coefficient of Variation)

Income Class	Number of Countries	Share in Total GDP (in %)	Coefficient of Variation of GDP Per Capita Growth Rate: 1961-2000	Coefficient of Variation of GDP Per Capita Growth Rate: 2000-2006
Low Income	4	6.3	4.05	1.25
Lower Middle Income	6	42.5	3.12	0.61
Upper Middle Income	3	8.4	4.74	1.45
High Income	5	42.8	5.9	1.36
Total	18	100	4.51	1.04

Source: own calculations based on WDI data base.

The table clearly shows over the long run (i.e. 1961-2000 real per capita GDP growth was indeed extremely volatile as shown by coefficients of variation of the growth rate for each income group of countries being in excess of one. The highest variability is recorded for the high income group, followed by that for upper middle income group. The lowest volatility is recorded for the lower middle income group, followed by that for the low income group. At the country level the highest volatility is calculated for Bahrain (with a coefficient of variation of 11.3) while the lowest volatility is calculated for Djibouti with a coefficient of variation of 0.57.

For the most recent growth episode economic insecurity resulting from the volatility of the growth process in the Arab countries seem to have declined as the above table shows. The decline in the volatility of the growth process is shared by all Arab income groups. While comforting, such a result should not be a cause for complacency. Using the time periods as weights it can easily be checked that the overall weighted average coefficient of variation for the period 1962-2006 remains vary high at 4.05.

III. Unemployment

Unemployment is a major source of economic insecurity in a large number of Arab countries, and unemployment of the youth is even more serious. For a fairly long period of time the region had the dubious distinction of having the highest rate of unemployment in the world. According to the Arab Labor Organization (2008; hereinafter ALO) the overall average unemployment rate for the Arab countries was about 14.4 per cent of the labour force in 2005 compared to that for the world at large

of 6.3 per cent⁽³⁾. However, the unemployment rate varies considerably across the region, ranging from about 2 per cent in Qatar, and Kuwait to about 22 per cent in Mauritania.

In analyzing unemployment in the Arab countries from an economic insecurity perspective there is a need to distinguish the high income Arab group of countries, with the exception of Saudi Arabia, from the other Arab income groups. Rather not surprisingly, the high income Arab countries have not suffered from high unemployment rates, due largely to the nature of their oil economy and their high dependence on foreign labor. According to the ALO recent compilation the unemployment rate in the Arab high income countries ranged from a low of 1.7% of total labor force in Kuwait, to a high of 3.4% in Bahrain; with rates of 2% for Qatar, and 2.3% for UAE. There are, however, emerging strains in the working of the labor markets in these countries indicating that perhaps a serious unemployment problem among the nationals may soon pose a major challenge. In contrast to these low unemployment rates, the overall unemployment rate in Saudi Arabia, estimated as 6.1 percent in 2005, is already posing an economic insecurity challenge⁽⁴⁾.

Despite well known unemployment data problems, there is evidence to suggest that during the period since 1980 to the present unemployment rates remained relatively high and exhibited increasing trends in most of the middle income Arab countries for which time series data is available. These countries are Algeria, Egypt, Jordan, Morocco and Tunisia and Syria⁽⁵⁾. In 2005 the total labor force of these countries amounted to 67.5 million representing about 57% of the total Arab labor force (LAS et al (2007)).

Available time series evidence shows that the average unemployment rate for 1980s decade ranged from a high of 16.5% in Algeria to a low of 4.8% in Syria. Morocco's unemployment rate was second highest (14.2%), followed by that of Tunisia (13.6%), that of Egypt (7.6%), and that for Jordan (6.2%). The weighted average unemployment rate for this group of Arab countries for the 1980s is 10.6%, where the labor force weights for 2005 are used. For the 1990s decade the average unemployment rate for Algeria remained the highest at 25.3%, followed by that for Morocco (18%), with both Jordan and Tunisia recording the third highest average unemployment rate of 15.5%, followed by Egypt (9.6%) and Syria (8.1%). The weighted average unemployment rate for the 1990s decade is 14.5%. Thus, over these two decades the unemployment rate did indeed increase for all countries under consideration. Similarly, though slightly fragmentary, preliminary evidence for the 2000s decade indicate that the weighted average unemployment rate increased to 15.5% from its average in the 1990s decade.

⁽³⁾ In all of that follows the compilation of unemployment rate in Arab countries by the ALO refers to the labor statistics tables in www.alolabor.org.

⁽⁴⁾ Similar results are reported in a recent World Bank (2007: table A.28: 129): unemployment rates for 2004 were 1.9% for Bahrain, 1.7% for Kuwait, 2.1% for Qatar, and 3% for UAE, while the unemployment rate for Saudi Arabia is reported as 7% of the labor force.

⁽⁵⁾ The time series on unemployment in the Arab countries is compiled by Belkacem Laabas of the Arab Planning Institute in Kuwait. A recent compilation for Syria is taken from the State Planning Commission of Syria.

The annual growth rates of the unemployment rate, over the period since 1980 and up to 2002 or the most recent year available, ranged from a high of 6.6 percent for Jordan to a low of 0.8 percent for Tunisia. Algeria's unemployment growth rate amounted to 2.8 percent, followed by that for Syria (2.4 percent), and Egypt (2.2 percent). The weighted average growth rate unemployment rate for the region (using 2005 number of unemployed) is about 1.8 percent⁽⁶⁾. Likewise, the estimated rates of growth of employment, for the five countries for which time series data is available over the period 1980-2002, are all negative and statistically significant, except for that Morocco.

The unemployment rates in the Arab countries are also observed to have a clear gender dimension with the female unemployment rates higher than those for males. The most recent evidence is provided for 2005 by AOL. According to this compilation the simple average male unemployment rate was 25% of the male labor force compared to a simple average of 31.2% for females. The female unemployment rate varied from a high of about 59% in Jordan (compared a male unemployment rate of 35%) to a low of 5.7% in UAE (compared a male unemployment rate of 6.4%). There are, however, a few exceptions where the female unemployment rate is lower than that for males according to AOL. These include Bahrain (with 18% female rate compared to 28%); Tunisia (20% compared to 29%); Mauritania (41% compared to 49%); and, Yemen (14% compared to 14%)⁽⁷⁾.

Looking at unemployment rate by age there is evidence to suggest that unemployment among the youth (aged 15-24), especially first-time job seekers, is very high (estimated as twice as high as the overall unemployment rate, and tends to be far higher than in the rest of the world). Estimates reported by the ALO put the overall average youth unemployment rate in the Arab countries for 2005 as 30 percent compared to 14.4 percent at the level of the world, 21 percent for Sub-Saharan Africa, 16 percent for Latin America and the Caribbean, and 16.4 percent for South East Asia.

As expected youth unemployment rates vary among Arab countries. A compilation by ALO for the year 2005 show that these rates vary from high of about 46 percent for Algeria to a low of 6.3 percent for UAE. With the exception of UAE this time around even high income Arab countries suffer from double digit youth unemployment rates: Bahrain (27%); Saudi Arabia (26%); Qatar (17%); and, Kuwait (23%). Relatively high youth unemployment rates are recorded for the middle income Arab countries: Jordan (39%); Tunisia (27%); Syria (20%); Oman (20%); Lebanon (21%); Libya (27%); Egypt (26%); and, Morocco (16%). The low income Arab countries also report relatively high youth unemployment rates, with the exception of

⁽⁶⁾ The time trend coefficient for Algeria is 0.0279 (with a t-value of 7.2 and an R-squared of 0.69), that for Egypt is 0.0223 (with a t-value of 3.9 and an R-squared of 0.4), that for Jordan is 0.0655 (with a t-value of 6.2 and an R-squared of 0.63), that for Morocco is 0.0082 (with a t-value of 1.4 and an R-Squared of 0.08), that for Syria is 0.024 (with a t-value of 6.2; and an R-squared of 0.52), and that for Tunisia is 0.0082 (with a t-value of 6.3 and an R-Squared of 0.65).

⁽⁷⁾ Similar results are reported in the World Bank (2007-a: 46, table 2.4): female unemployment rate was 21.3% (compared to 19.8% for males) for Algeria; 18.6% (compared to 4.7%) for Egypt; 25.9% (compared to 12.8%) for Jordan; 24.8% (compared to 16.3%) for Morocco; and 28.3% (compared to 9%) for Syria.

Yemen (with an unemployment rate among the youth of only 19%): Sudan (41%), Djibouti (38%), and, Mauritania (44%)⁽⁸⁾.

As a result of these relatively youth high unemployment rate the share of the youth among the total unemployed population is reported by AOL as being over 50 per cent as an average for all Arab countries. This share ranges from a low of 36% in Morocco to a high of 70% in Algeria, for 2005.

IV. Poverty

Economic insecurity exhibiting itself in the form of poverty can be approached from two perspectives: income poverty (where the welfare of individuals is defined exclusively on their command over goods and services as represented in real per capita consumption expenditure); and human poverty (where the welfare of individuals is defined on income as well as other aspects of life that are valued by individuals such as education, health, and political freedoms).

4.1. Income Poverty: The most dominant approach used in policy circles, national as well as international, is the income poverty approach, and the most widely used measure of poverty under this approach is the head-count ratio. The head-count ratio is simply the proportion of the total population living below an agreed upon standard of living defined as a poverty line. As such, the head-count ratio is a measure of the spread, or incidence, of poverty in a society; and, obviously, it can be interpreted as a measure of the proportion of those economically insecure. Since the early 1990s a huge literature on calculating, and estimating, the incidence of poverty in different countries and developing world regions has accumulated. The World Bank, being the most important development finance institution, has been regularly involved in producing poverty estimates on a world scale. For this purpose it popularized the international poverty lines of one and two US dollars a day per person. Such aggregative results could be used to gauge the incidence of economic insecurity in the Arab region.

Despite the diversity in income levels, the volatility of real per capita growth, and the relatively high unemployment rates, the Arab region is known to have low rates of incidence of income poverty. The most recent evidence supporting such a conclusion is reported in Chen and Ravallion (2008). As usual with such highly aggregated analysis the Arab countries are subsumed under the Middle East and North Africa region. Happily, out of eight countries used for defining the region, 7 are Arab⁽⁹⁾.

Thus, without loss in precision we could take the results for the MENA region as representing those for the Arab region. Now, we also note that five of the seven Arab countries belong to the Arab middle income group while only two belong to the

⁽⁸⁾ Similar results are reported by the World Bank (2007-a: 47, figure 2.13) which reports youth unemployment rates of about 46% in Algeria, 54% in Egypt, 66% in Jordan, 33% in Morocco, and 41% in Tunisia.

⁽⁹⁾ Household survey information used come from Algeria, Djibouti, Egypt, Jordan, Morocco, Tunisia, and Yemen.

low income group⁽¹⁰⁾. In view of the fact that the relative population, and GDP, weight of the Arab middle income group we suggest that the relevant results should be those based on the international poverty line of US\$2 per person per day. In table (3) we report these results.

**Table (3): Incidence of Poverty in World Regions:
1981-2005 (Headcount Index in percentages for 2 dollars per day per person poverty lines)**

Region	1981	1984	1987	1990	1993	1996	1999	2002	2005
Arab Countries *	28.7	24.9	25.0	22.0	21.9	22.3	23.7	19.6	19.0
East Asia and Pacific	92.9	88.9	81.4	80.1	75.7	64.4	61.5	53.1	39.7
East Europe and Central Asia	8.2	6.3	5.5	6.7	10.9	12.4	13.5	12.6	10.6
Latin America and Caribbean	24.5	27.1	23.9	21.4	21.2	22.6	22.5	21	17.9
South Asia	86.6	84.8	83.8	82.2	79.2	80	77.4	77.1	73.9
Sub-Saharan Africa	72.0	74.4	72.8	73.5	73.7	75.8	75.6	73.6	72.2
All Developing Regions	69.4	67.6	64.1	63.1	61.4	58.4	57.1	53.6	47.6

Source: rearranged from Chen and Ravallion (2008: table 7). * MENA in the original.

The table shows that in 2005 about 19% of the Arab population were living below the international poverty line of US\$2 per person per day. Recalling that this estimate is based on information for the Arab middle and low income groups, and recalling that the population of this group represents about 88.2% of the total population of the Arab countries not in conflict, it can be concluded that in 2005 about 48.6 million Arabs were living under conditions of income insecurity.

In terms of ranking among regions it is significant to note that the Arab region was the third lowest ranking region in the initial year of 1981 and the terminal year of 2005, behind East Europe and Central Asia (the lowest poverty incidence region) and Latin America and the Caribbean region (the second lowest poverty incidence region).

The above poverty estimates, based as they are on the international poverty lines, are judged to be underestimates and as such do not seem to adequately reflect the reality of poverty incidence on the ground in a number of Arab countries. However, firm empirical results to confirm this conjecture are as yet to be established and reported in the literature.

Economic insecurity based on income levels is expected to be a more serious problem for the rural population compared to urban population. For the year 2005 rural population represented about 41% of the total population of the Arab countries, about 127 million (UNDP (2007)). As expected, the majority of the Arab rural population (94%) lived in the low, and the lower medium, income group. Table (4) provides the relevant information on the distribution of the Arab rural population over income groups.

⁽¹⁰⁾ It is perhaps obvious to note that given the per capita income levels reported for the Arab high income countries in table (1) we should not expect any incidence of income poverty in this group of countries, possibly with the exception of Saudi Arabia using a national poverty line. For such rich countries the European convention is to set the poverty line at 0.5 of average income. This will work out as US\$38 per person per day as an average for the group!!!!

Table (4): Rural Population in the Arab Countries 2007

Income Class	Number of Countries	Rural Population (in millions)	Share of Rural Population in Total (%)	Share of Income Group in Rural Population (%)
Low Income	4	39.1	61.8	30.1
Lower Middle Income	6	83.2	47.6	64.0
Upper Middle Income	3	2.1	16.9	1.6
High Income	5	5.6	17.6	4.3
Total	18	130.0	46.3	100.0

Source: compiled from UNDP (2007: 243-245, table 5).

At the level of details we need to note that the rural population for the high income group is dominated by that of Saudi Arabia which accounts for about 80% of the rural population of this group. Moreover, it is also important to note that Egypt dominates the rural population of the lower middle income group contributing 50% of the total.

Having noted the above, we can now look at the incidence of economic insecurity in the rural areas of the Arab countries. The evidence is available for six Arab countries from the low and lower middle income groups: Egypt, Jordan, Mauritania, Morocco, Syria and Yemen. From the details on which the above table is compiled it can be ascertained that this sub-sample accounts for about 63% of the total rural population. The evidence is compiled, and summarized, in Ali (2008) where poverty estimates are those based on upper national poverty lines.

For the respective years of the household budget surveys, the results show that the head count ratio ranged from a low of 18.7% for Jordan (for the survey 2002) to a high of 59% for Mauritania (for the survey year 2004). The remaining countries record relatively high incidence of rural poverty: 52% for Egypt (2000); 40% for Yemen (2005), 32% for Syria (2004); and 27% for Morocco (2000). It is also important to note that the incidence of rural poverty in all these countries was higher than that of urban poverty for the respective years of the budget surveys⁽¹¹⁾.

4.2. Human Poverty: At the outset it is worth noting that human poverty can be measured by the Human Poverty Index (HPI) of the UNDP. HPI concentrates on deprivation in three essential elements of human life: longevity, knowledge and decent living. Three indices are chosen to represent human poverty in a composite index: (i) an index of deprivation relating to survival meaning the vulnerability to death at a relatively early age; and is measured by the percentage of people expected to die before age 40; (ii) an index of deprivation with respect to knowledge meaning exclusion from the world of reading and communication; and is measured by the percentage of adults who are illiterate; and, (iii) an index of deprivation from a decent standard of living (overall economic provisioning) which is composed of two sub-indicators for measurement purposes: This is measured by a composite of two

⁽¹¹⁾ The highest incidence of urban poverty is reported for Egypt (46% of the urban population), followed by Mauritania and Syria (about 29% for each), Yemen (20%), Jordan (13%), and Morocco (12%).

variables: the percentage of people without sustainable access to a safe water source (with weight 0.5) and the percentage of children who are under weight for age (with a weight of 0.5). The three indices of deprivation (i.e. (i) –(iii)) are combined into a composite index allowing for possible substitution between them⁽¹²⁾. In classifying countries on the value of the HPI the UNDP adopts the convention of considering countries with an HPI of less than 10 as of low human poverty incidence and those with a value of HPI in excess of 30 as of high human poverty incidence. Those having values in between these two thresholds are of medium human poverty incidence.

Having noted the above measurement convention we can now look at human poverty in the Arab countries. Table (5) reports the human poverty index for 14 Arab countries based on the most recent available data.

Table (5): Incidence of Human Poverty in the Arab Countries

Income Class (Number of Countries)	Value of HPI	Probability of not Surviving (% of Cohort)	Adult Illiteracy Rate (% of aged 15 and older)	Population without Access to Safe Water (%)	Children under Weight for Age (%)
Low Income (5)	34.3	20.6	44.6	30.2	34.2
Lower Middle Income (6)	18.9	7.9	26.7	8.8	6.8
Upper Middle Income (1)	8.5	6.3	--	0	4
High Income (2)	8.1	2.9	11.2	0	10
Average (14)	20.6	10.1	29.0	12.2	13.2

Source: based on UNDP (2007)

The above results seem to be consistent with those based on income poverty: the low income group of Arab countries suffer from economic insecurity defined by the high incidence of human poverty with an average HPI index of 34%. Economic insecurity under this poverty concept exhibits itself in the health domain, the education domain and the decent standard of living domain. All these have to do with the ability of the state to provide basic necessities of life and ensuring access to such necessities.

At the level of country details, however, countries scoring an HPI of 30% or more include four lower income countries and a lower middle income country: Comoros (with an HPI of 31.3%), Sudan (34.4%), Yemen (38%), Mauritania (39.2%), and Morocco (33.4%). For almost all of these countries significant insecurity (i.e. components in excess of 30%) is recorded for the educational component as represented by the adult illiteracy rate. In addition for Sudan, Yemen and Mauritania, insecurity from both access to safe water and child nutrition are also significant.

Having noted the above, and consistent with the trends of economic insecurity based on income poverty, there is evidence to show that insecurity arising from

⁽¹²⁾ Given the above method of constructing the HPI measure it is perhaps not surprising to note that an increase in any of the three component indexes will be expected to increase the HPI.

human poverty is also declining over time. The region-wide HPI of 20.6 in 2005 declined by almost one third, from a value of 33 in 1996-1998.

V. Social Safety Nets

As noted in the introduction it is now generally agreed that social safety nets are mechanisms that mitigate the impact of economic insecurity especially for vulnerable groups in society. A distinction is usually made between informal, inclusive of traditional, arrangements where relatives (or tribe members etc) provide social and economic support to each others in times of need; and formal programs usually run by governments, or more recently by non-governmental organizations on their own or on behalf of donor agencies. Formal social safety nets usually provide direct cash or in-kind transfers, subsidized basic needs items (especially food), and work opportunities in public works projects. A broader definition of social safety nets would include the modern social security and social insurance program usually relevant to the organized sectors of the modern sector of developing countries. Social security "is generally associated (but not always) with a transfer of income to the poor, whereas social insurance is related to earnings and are contributory in nature"⁽¹³⁾.

Given the Arab-Islamic culture of the region there is broad agreement in the literature that all Arab countries have a rich, and interlocking, web of traditional social safety nets, but that this traditional arrangements are increasingly being undermined by the pressures of modern life⁽¹⁴⁾. There is also agreement that a large number of Arab countries have designed quasi-modern social security and social insurance arrangements with varying degrees of success, depending on the public resources available to the state.

In the high income countries, in addition to Oman and Saudi Arabia, fairly wide and deep social safety nets have been erected by the state without necessarily crowding out the traditional social safety nets that existed prior to the discovery of oil. These arrangements are being constantly revised with a view of increasing their efficiency, especially coverage. Moreover, there is a large measure of similarity between the countries in this group⁽¹⁵⁾. In all these countries there are special programs for the support of widows, the divorced, those with special needs, the sick, the elderly, unmarried and unemployed young ladies, families of prisoners, and students.

The main features of the formal social safety nets in the Arab middle income countries are summarized by Abdel Samad and Zeidan (2007)⁽¹⁶⁾. These features include the incomplete protection against risks; the unequal treatment of individuals;

⁽¹³⁾ See, for example, World Bank's webpage on social safety nets www.worldbank.org.

⁽¹⁴⁾ Increasingly Zakat and Sadagat, the religiously mandated charitable contributions, are being institutionalized in the countries of the region.

⁽¹⁵⁾ See, for example, the country reports by ESCWA (2008-2004) on "Social Policies" in Bahrain, Kuwait, Oman, Saudi Arabia, Qatar, and UAE.

⁽¹⁶⁾ The summary is based on a 2001 study for a sample of middle income countries comprising Egypt, Jordan, Lebanon, and Morocco.

the limited coverage of the concerned population; the low level of benefits; the relatively costly and inefficient administration; and, the non-sustainability of finance. Not surprisingly, in the Arab low income group the formal social safety net is of recent origin. Thus, for example, in Yemen the formal social safety net was established in 1996 following the implementation of the structural adjustment policies. The arrangements put in place included a social welfare fund, an agriculture and fisheries production and promotion fund, a social fund for development, a public works project, a poverty alleviation and employment program, a world food program, and a southern governorates program.

Perhaps not surprisingly the observations made about social safety nets in the Arab middle income group of countries also applies to the example of the low income group.

VI. Concluding Remark

The stock-taking exercise undertaken in this note clearly demonstrates that the various dimensions of economic insecurity in the Arab region exhibit themselves in the low income group of Arab countries that account for about 23% of the population of the region. Such a conclusion would also be consistent with the reported high incidence of income poverty in these countries. In addition, most of middle income countries suffer from economic insecurity in the domain of unemployment, especially among their youth. Given the stage of development of both low and medium income Arab countries economic insecurity also exhibits itself in the slow developing, and limited coverage, social safety nets. By contrast the high income Arab countries do not seem to face economic insecurity issues for their national populations, including insecurity related to the coverage and depth of social safety nets. As a result of this it would seem reasonable to argue that the nature of development policies needed to address economic insecurity issues can not be of the type that one size fits all, as per the defunct structural adjustment programs of the past.

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