

**Economic and Social Commission for Western Asia (ESCWA)**

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Growth and inequality challenges and responses in the Arab region**Summary**

The present document reviews the pressing socioeconomic challenges in the Arab region, including slow growth interrupted by conflict and crises, structural leakages preventing growth passthrough to households, high poverty according to various definitions in both money-metric and multidimensional spheres, and growing gaps across subregions and socioeconomic groups in some subregions.

Existing policy responses to these challenges in each subregion are reviewed with specific examples of high-profile programmes and best practices, including expansion of contributory and non-contributory social protection and removal of regressive subsidies in middle-income countries, diversification of the economy in high-income countries, and post-conflict and crisis responses in Arab conflict-affected countries and least developed countries.

Policy recommendations for sustainable and inclusive growth are made separately for each Arab subregion. The Committee on Social Development is invited to discuss the contents of the present document and comment on the proposed recommendations.

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Introduction

1. The Arab region has made major developmental strides in advancing social justice and tackling some dimensions of socioeconomic deprivation since the turn of the century and the events of the Arab uprisings. Despite this progress, the region continues to face challenges in the realms of languishing socioeconomic growth, and elevated poverty and inequality according to various definitions in both the money-metric and multidimensional spheres. Regional disparities in standards of living remain wide and have become exacerbated in recent years by conflicts and natural disasters in some parts of the region, and by economic slowdowns, coupled with challenges experienced on the policy response front.

2. Economic distribution in the Arab region has grown to be more polarized, with income and wealth concentrated among the select elites, while ordinary households are being left behind. The COVID-19 pandemic, the wars breaking out within and in the neighbourhood of the Arab region, and the pressures in the global supply chains have had repercussions in relation to the level and growth of Arab households' finances, denting their prospects for recovery. The war on Gaza has also shown its devastating impact on Palestinian people, and threatens to destabilize the entire region. Furthermore, climate events have led to disasters in multiple sites in the region and have disproportionately affected capital-poor and conflict-torn countries. Existing institutions in both the public and non-governmental spheres have struggled to respond adequately and rapidly to the developing humanitarian disasters.

I. Overview of growth, poverty and inequality in the Arab region

3. Over the past two decades, growth in the Arab region has been chronically low and periodically pushed down by crises, including recurring conflicts, natural disasters and external economic shocks. Real household incomes and expenditures stagnated or declined in many countries and in all subregions, except the high-income group.¹

4. Structural leakages have limited the trickledown of even the sluggish growth to ordinary middle-class and poor households.² Real expenditures of Arab households stagnated, growing at a mere 0.2 per cent annually during 1995-2023 even as the aggregate economy grew by 1.5 per cent annually. During the same span of years, households worldwide have experienced a growth of 1.6 per cent, just below the 1.7 per cent annualized growth rate in the global economy.

5. These lacklustre growth trends translate into modest growth rates in residents' net personal wealth by global comparisons. The region is not catching up with the rest of the world, and those lower down the regional economic distribution have fallen behind further, with their standards of living and fallback emergency reserves being eroded.

6. Arab countries encounter numerous obstacles in bolstering their economic robustness, including limited economic diversification and a heavy reliance on a narrow range of economic sectors. There is also an absence of substantial productive capacity within the industrial sector and a general fragility in the financial sector, albeit with certain notable exceptions in some of the Gulf countries.

7. The sluggish economic growth or stagnation across the region, coupled with the limited passthrough of growth to middle-income and poor households, gives rise to unrelenting levels of poverty and vulnerability. Poverty rates were rising in many parts of the Arab region as well as in the region at large since before the 2010s. In fact, the Arab region was the only region in the world that showed a continuous increase in poverty during the 2010s. These conclusions held true irrespective of the poverty cutoffs used, and specifically hold true for the \$2.15/day (2017 US\$ PPP) international threshold for extreme poverty.

¹ ESCWA, Arab Poverty Report: The case for economic recovery (forthcoming).

² ESCWA, [Obstructed poverty reduction: growth-passthrough analysis](#), 2022.

8. The prospects of poverty alleviation and meeting the targets of Sustainable Development Goal 1 (both targets 1.1 and 1.2) are imperilled. More than one third of Arab residents (35.4 per cent, or 150 million) are poor according to a moderate definition adopted by the United Nations Economic and Social Commission for Western Asia (ESCWA), which is comparable to national poverty thresholds. This statistic will barely budge to 33 per cent (156 million) by 2030.³

9. The regional poverty story, however, is more complex. Poverty, like human development, is not in dollar terms alone, and deprivations in various dimensions of well-being must be accounted for. According to the revised Arab Multidimensional Poverty Index (Arab MPI), there were mixed trends in Arab countries during the 2010s.⁴ The Arab countries for which data was available, mostly middle-income countries,⁵ made progress in reducing multidimensional poverty during the past decade, as they managed to reduce deprivations across most of the relevant dimensions, including health, education, housing quality and access to assets and services. Some countries, however, such as Jordan and the conflict-affected State of Palestine, witnessed an uptick in deprivations in selected indicators.

10. Arab subregions and countries continue to grow apart, in contrast to the worldwide experience whereby countries in the global south are continuously being lifted in their standards of living towards those in the global north.

11. Arab high-income countries (HICs) continue to experience steadier and higher growth than the region's low-income countries (LICs) and conflict-affected countries (CACs), so the cross-country disparities accrue over time. In some subregions, including HICs and MICs, there is convergence between countries, suggesting that the countries are experiencing challenges leading to similar socioeconomic outcomes. By contrast, in LICs and CACs, countries diverge in their experiences, leading to the fanning out of economic fortunes across countries and across the region at large. These disparities affect people's ability to save resources and accumulate wealth and become reflected in the regional distribution of wealth. Treating Arab subregions as single entities, we find that the distribution of net personal wealth has become less unequal in Arab HICs, has stagnated in MICs, and has dramatically increased in LICs and CACs.⁶

12. Responding to growth and poverty challenges, Arab policymakers have implemented various measures of social protection and support, tailored to their developmental needs and circumstances. Increasing regional inequality of income and wealth signals that LICs, CACs, MICs and HICs are increasingly following different paths, and LICs and CACs are falling well behind in the region. In addition, individual countries in each of the HICs and MICs groupings are converging in terms of income inequality.

II. Growth, poverty and inequality in low-income and conflict-affected countries

13. Regional poverty - and its rise over the past decade - has been concentrated in Arab LICs and CACs, driven by recurring natural disasters, political instability and simmering conflicts.

³ ESCWA, Arab Poverty Report: The case for economic recovery (forthcoming).

⁴ Countries included in the analysis are Algeria, Egypt, Iraq, Jordan, Morocco, and Tunisia. Source: ESCWA, [Second Arab Multidimensional Poverty Report](#), 2023.

⁵ Middle-income countries (MICs) are Algeria, Comoros, Djibouti, Egypt, Iraq, Jordan, Mauritania, Morocco and Tunisia; high-income countries (HICs) are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates; and low-income countries (LICs) are Somalia, the Syrian Arab Republic, the Sudan and Yemen. Lebanon, Libya and State of Palestine are omitted for the lack of reliable recent data. The following countries are considered conflict-affected countries (CACs): Iraq, Somalia, the State of Palestine, the Sudan, the Syrian Arab Republic and Yemen.

⁶ ESCWA, Arab Poverty Report: The case for economic recovery (forthcoming).

14. Arab LICs and CACs have faced substantial challenges in achieving sustained economic growth. They have experienced especially low and volatile growth rates even by regional standards, due to factors such as inadequate infrastructure, limited access to capital, and vulnerability to external shocks. They face several economic resilience challenges, as they lack in industrial competitiveness and adequate economic complexity. For example, Yemen ranks among the economies with the lowest industrial competitiveness,⁷ and ranks poorly in terms of economic complexity at the global level.⁸

15. Conflict, in particular, can exacerbate poverty and inequality in affected countries, disrupting economic activities, displacing populations and undermining social systems. Real incomes of Arab LIC and CAC residents declined annually by 2.6 and 1.9 per cent, respectively, during 1995-2023. Throughout the 2010s, their net personal wealth – even in nominal terms not accounting for inflation – has stagnated (in CACs) or downright fallen (in LICs). Consequently, these countries are increasingly falling behind wealthier countries in the region.

16. In addition to their substantial deprivation in money-metric space, Arab LICs and CACs continue to experience significantly higher multidimensional poverty rates, and their progress over time has not been entirely consistent. The overlap of high money-metric and multidimensional poverty in LICs and CACs thus points at concerning levels and trends of composite poverty concentrated in specific parts of the region.

17. Poverty reduction efforts have typically included targeted social programmes, job creation initiatives, and investments in basic infrastructure to improve living standards. Efforts to address inequality have often also involved improving access to education and health care. Post-conflict reconstruction and development efforts have proven to be crucial for rebuilding economies and addressing the root causes of conflicts. Post-conflict development has focused on stimulating economic activity; restoring livelihoods; rebuilding hospitals, schools and other critical infrastructure; rebuilding and strengthening governance institutions; and establishing the rule of law. Efforts to address the root causes of conflict have involved implementing targeted development programmes that aim to reduce poverty and enhance social equity.

18. In Iraq, after years of conflict, including the war between 2003 and 2011, efforts have been made to reconstruct the country. International organizations, non-governmental organizations and the Iraqi Government have been involved in rebuilding infrastructure, rehabilitating schools and health-care facilities, and addressing economic challenges.

19. As a result, the incidence of multidimensional poverty decreased significantly from 14 per cent in 2011 down to 9 per cent in 2018,⁹ although there was substantial variation across regions. Ongoing political instability continues to pose obstacles to sustained development, and poverty remains a concern.

20. The State of Palestine, which is another conflict-affected country, has showcased the importance of innovative and efficient social assistance systems, by addressing vulnerabilities, efficiently targeting poverty, and providing necessary support to affected households. The Palestinian National Cash Transfer Programme (PNCT) has become a key element to meet poverty reduction targets and address war-induced poverty.

⁷ United Nations Industrial Development Organization, [Competitive Industrial Performance Report 2020](#), 2021.

⁸ Harvard Growth Lab's country rankings assess countries' productive knowledge, through the Economic Complexity Index (ECI). Countries improve their ECI by increasing the number and complexity of the products they successfully export. <https://atlas.cid.harvard.edu/rankings>.

⁹ Oxford Poverty and Human Development Initiative (OPHI), [Global MPI Country Briefing 2023: Iraq](#). Available at <https://ophi.org.uk/media/45139/download>.

Box 1. National Cash Transfer Programme of the State of Palestine

The Palestinian National Cash Transfer Programme (PNCTP), launched in 2010 in the West Bank and in 2011 in Gaza, excelled at integrating previous cash transfers programmes and maximizing poverty reduction impacts. It plays a significant role in the region and among conflict-affected areas in terms of its coverage and poverty targeting.

The programme has grown rapidly to cover 600,000 people - half of whom are children - which is equivalent to more than 119,000 households (75,000 in Gaza and 44,000 in the West Bank). The Government also holds data for 90,000 households on the waiting list for the PNCTP in its PortalGate, the programme's management information system. Prior to the war, the coverage stood at 86 per cent for households in the extreme poverty line, and 8 per cent for households falling below the poverty line (according to poverty lines for 2020). The PNCTP provides selected households between \$214 and \$514 per quarter, depending on the family's size, to bridge 50 per cent of the household poverty gap.

Following a formal application process for inclusion in the programme, social workers engage in home visits to verify the information used to apply a consumption-based proxy means test formula. The formula includes poverty-related variables (rather than solely categorical targeting as was the case with previous programmes), and has been developed over time to include other vulnerabilities such as disability and chronic illness. As such, targeting is quite efficient and according to several reviews, exclusion and inclusion errors are lower than in other successful programmes.

The impacts of the PNCT are widely considered as positive. The cash that PNCTP beneficiary households receive helps them buy more nutritious food and pay some indirect costs related to education and health-care access, for example, transportation, medication and snacks at school. It also contributes to household debt repayment. Cash transfers are complemented by a package of complementary entitlements consisting of a lump-sum emergency assistance, access to health-care and education services, and food. PNCTP beneficiary households are also entitled to government health insurance and university tuition fee waivers.

Source: ESCWA analysis of PNCTP data in the context of a technical cooperation request from the State of Palestine.

III. Growth, poverty and inequality in middle-income countries

21. Middle-income countries in the Arab region have demonstrated varying degrees of economic growth, but on average, rates have stagnated. Factors such as oil prices, economic diversification efforts, and political stability have positively influenced growth rates. However, the state of industrial development in Arab MICs paints a concerning picture. These countries fall into the low or medium-low category in terms of industrial competitiveness. For example, Algeria, despite its status as an oil producer and exporter, exhibits a markedly low level of competitive industrialization.¹⁰ The exception is Morocco, which shows a slightly higher level of competitiveness and makes it into the medium-high category of countries on this indicator. In terms of economic complexity, Tunisia stands out as the sole Arab MIC with a moderately high level of economic complexity.¹¹ Among other MICs, Egypt faces structural challenges that limit its economic growth potential, notably due to increasing public debt levels and sustainability issues.

22. While Arab MICs have generally seen improvements in living standards and reduced monetary poverty in recent years, there are still poverty pockets, especially in marginalized or rural areas. There has been some reduction in wealth inequality across MICs in the region, but inequality remains a concern within countries. Wealth disparities, uneven access to education and health care, and differences between urban and rural areas have contributed to social and economic inequality. Political instability and social unrest have affected some countries in the region, impacting economic prospects and poverty reduction efforts.

¹⁰ <https://stat.unido.org/content/publications/competitive-industrial-performance-report-2020>.

¹¹ <https://atlas.cid.harvard.edu/rankings>.

23. Successful macroeconomic policies that have contributed to increased growth include diversifying economies and promoting sectors such as tourism, technology and manufacturing. Jordan has encouraged export-oriented industries, such as textiles and manufacturing. Export growth has generated foreign exchange, economic development, and employment opportunities. Tunisia has invested in its tourism sector, attracting visitors from around the world. This has created jobs and supported economic growth, especially in coastal regions.

24. Some countries have implemented policies to address inequality, including policy reforms in taxation. Such is the case of Jordan, which has introduced progressive tax reforms, including higher taxes on the wealthy and corporations. These measures aim to reduce income inequality by increasing the tax burden on higher-income individuals and directing revenue towards social spending.

25. In recent years, several Arab countries such as Jordan and Mauritania have either reduced or eliminated subsidies for essential goods like staple foods, electricity, and fuel. The resulting budget savings have been partially redirected for the purposes of budget consolidation and public infrastructure investments, and to some extent for social protection-related expenses. In Mauritania and Morocco, a portion of the saved funds has been repurposed to initiate cash transfer programmes targeting poverty. In Egypt, the Government has gradually phased out regressive indirect subsidies for energies and some food items, opting instead for targeted direct forms of social assistance. The flagship cash transfer programme, Takaful and Karama, was introduced in 2015 to support low-income families by providing financial assistance to families, conditional on their children's school attendance and health check-ups.¹² The programme has substantial coverage, covering up to 14 per cent of the Egyptian population. Importantly, 81 per cent of households are achieving at least 80 per cent school attendance, contributing to reducing multidimensional poverty as well. These results have been achieved despite the increase in the cost of living as a result of being exposed to increasing market prices for electricity, fuel and some food items. The enduring challenge is that lower middle-class families have not been adequately protected from this increase by the existing transfer programmes or other safety net provisions.

26. Tunisia has made progress in reducing poverty rates and income inequality through various policy reforms. The Government expanded not only the country's social assistance portfolio, but also its contributory social protection system, whilst redistributing resources to those in need. Amen Social is a comprehensive programme encompassing both social assistance (cash transfers, food subsidies, education and health-care support) and social insurance (pension, health insurance, unemployment and invalidity benefits, and maternity and paternity leave).

Box 2. The efforts of Tunisia in reducing poverty and income inequality

Under Amen Social, the cash transfers programme has grown in terms of coverage and benefit levels. Since 1987, the benefit has grown faster than the minimum wage – although it remains below it. By 2021, a total of 266,000 households, or 8 per cent of the population, benefited from cash transfers and free health care. Beneficiaries of cash transfers receive 180 Tunisian dinars (TND) (\$64) per month, which is 45 per cent of the minimum wage, plus TND 30 per quarter for every child of school age, as an incentive to keep children in school.

Beneficiary eligibility is determined through a proxy means test, aimed at minimizing inclusion and exclusion errors, and ensuring that all vulnerable families rightly receive their benefits. In terms of cost, the Tunisian Ministry of Finance allocated a significant portion of the budget to social security. In 2021, the budget allocated to cash transfers reached \$229 million.

The country also implemented land reforms aimed at redistributing land to small-scale farmers, which can help reduce disparities in access to productive assets and promote rural development. The reforms were designed to address issues of land inequality, with much of the fertile land concentrated in the hands of a few wealthy landowners. The main objective of the reforms was to redistribute land from large landowners to the landless and

¹² ESCWA (2023), Conditional Cash Transfers in Egypt: Opportunities and Challenges of Introducing Conditionality Policy Brief, <https://www.unescwa.org/cash-conditional-transfer-egypt-opportunities-challenges>.

small-scale farmers. Land reform laws were enacted to provide the legal basis for the redistribution process. The Government had the authority to expropriate land deemed excessive and redistribute it to those in need. The reforms are part of broader agrarian changes that aimed to modernize agriculture, driven by principles of social justice, with the aim to reduce economic disparities and provide equal opportunities for rural populations.

Source: ESCWA, [Moving towards comprehensive and inclusive social protection in Tunisia \(2014-ongoing\)](#), 2023.

IV. Growth, poverty and inequality in high-income countries

27. High-income countries (HICs) in the Arab region have experienced growth in income and wealth, driven by oil and gas revenues. The healthy oil revenues that they receive have enabled HICs to invest heavily in improving living standards, leading to lower levels of absolute poverty. Nevertheless, limited economic diversification and heavy reliance on oil and gas exports present considerable obstacles to achieving economic resilience. Only two countries—Saudi Arabia and Bahrain—rank among the top 50 economies worldwide in the economic complexity index, whereas the performance of Qatar is the lowest amongst the GCC countries.¹³ As a result, global economic trends such as fluctuations in oil prices and gradual depletion of the resource endowment represent a challenge as they are projected to have a significant impact on their economic performance. Arab HICs are also not entirely protected from regional conflicts, which can impact their economic stability and development prospects.

28. Countries have responded to these challenges through efforts to diversify economies and invest in non-oil sectors to ensure sustainable growth. Economic diversification policies have often included measures to address social and economic inequalities. HICs have invested in infrastructure, education, and health care to achieve broader socioeconomic development goals.

29. The United Arab Emirates and Qatar are both good examples. The United Arab Emirates has introduced labour market reforms, including minimum wage legislation and improved labour protections for low-wage workers. It has successfully diversified its economy away from oil dependency. Dubai, in particular, has invested heavily in becoming a global hub for finance, trade, tourism and logistics. This diversification has created jobs and reduced poverty rates. As for Qatar, focus has been placed on reducing inequalities through policy reforms in the employment arena and substantial investments in the education and health sectors.

Box 3. Labour reforms and investments in education and health in Qatar

Qatar has undertaken significant labour reforms with the primary goal of enhancing working conditions and safeguarding the rights of migrant workers within its borders. Among these reforms, a landmark initiative involved the abolition of the kafala system, a sponsorship structure that had been criticized for its potential to lead to exploitative practices and hinder the rights of migrant workers.

The abolition of the kafala system represents a substantial shift in the approach of Qatar to labour management. Previously, under the kafala system, migrant workers were tied to their employers, requiring employer consent for job changes, or even for leaving the country. The removal of this system aims to empower workers with greater autonomy, allowing them increased freedom of movement and the ability to change employers without undue restrictions. The overarching objective of these labour reforms is to create a fair and just working environment, mitigating income and social inequality.

The economic prosperity of Qatar, largely fuelled by its substantial natural gas reserves, has positioned the country as a global leader in liquefied natural gas (LNG) exports. Leveraging its abundant energy resources, Qatar has not only transformed into a key player in the global energy market but has also utilized the revenue generated from LNG exports to fuel comprehensive infrastructure development initiatives.

¹³ Growth Lab, Country and product complexity rankings. Available at <https://atlas.cid.harvard.edu/rankings>.

One noteworthy outcome of this economic success is the substantial investment in the development of world-class education and health-care systems. The revenues generated from LNG exports have been strategically allocated to create top-tier educational institutions and health-care facilities. This investment is a testament to the commitment of Qatar to enhancing the overall quality of life for its residents.

The focus on education reflects a commitment to human capital development, aiming to equip the population with the skills and knowledge necessary to contribute meaningfully to the country's evolving economy. Simultaneously, the emphasis on health care underscores the importance of ensuring the well-being of the population.

Source: ESCWA.

V. How to foster inclusive growth

30. Countries around the world provide lessons and success stories on pro-poor growth policies that have helped reduce poverty and improve living standards for marginalized populations. These success stories highlight different approaches to pro-poor growth, including rural development, education, and health-care investments, and demonstrate that a combination of these policies can have a substantial impact on reducing poverty and improving the well-being of disadvantaged populations.

31. Two examples stand out: the economic reforms in China and the Bolsa Família programme in Brazil. Lessons from these upper-middle income countries are most relevant to lower-middle income countries as well as LICs. The efforts of China included investment in infrastructure, education, and health care in rural areas, as well as economic liberalization. This approach demonstrated how sustained economic growth can benefit the poor. The Bolsa Família programme in Brazil, which is a conditional cash transfer initiative, provides financial assistance to low-income families. The programme reduced poverty and income inequality by targeting resources to those in need and encouraging school attendance and health-care utilization.

32. The case of China illustrates the importance of examining the unintended consequences of economic growth on vulnerable population groups, and implementing measures to redress inequalities, especially regional disparities. It showcases the need for institutionalizing national measures of poverty, adapted to the country context and used for monitoring purposes and for generous budget allocations if poverty alleviation efforts are to succeed.

33. The implementation of a safety net in China in the form of well-funded social assistance programmes with wide coverage, targeting all vulnerable groups, and with personalised support packages, contributed to its success.

34. The case of Brazil proves that a well-designed cash assistance programme, with wide coverage and shock-responsive elements, and a “guaranteed return”, designed not to discourage beneficiaries from seeking employment, and a customized support package, can be cost-efficient, remain popular and sustainable through multiple administrations, and importantly, have high multiplier effects.

35. These high-profile poverty reduction programmes in China and Brazil show that economic reforms, social assistance, and investments in education and health care, can stimulate long-term growth and lift people out of poverty. Incentivizing education and health care, and customized support, show promise in reducing poverty. Long-term success requires sustainability, ongoing reforms, adequate funding, and adaptability to changing circumstances for continued support to vulnerable populations.

A. Poverty reduction efforts in China

36. Economic reforms in China, which started in the late 1970s, helped the country become the world's second-largest economy, with a significant poverty alleviation track record. Rapid economic growth helped reduce the country's poverty rate from 66.3 per cent to just 0.3 per cent in 2019. Poverty alleviation successes were largely the result of decades of rapid economic growth. Over the last two decades, its gross national income (GNI) per capita grew more than ten-fold from just \$940 in 2000 to \$10,410 in 2019.

37. However, economic growth has been highly uneven, with higher-paying manufacturing jobs clustering in urban areas, and rural poverty rates around five times higher than in urban areas in 2018. As a result, the country began taking steps to address this divide by focusing on rural poverty alleviation. In 1986, a State Council office was set up to identify impoverished counties, establish a national poverty line, and create special funds for poverty reduction.

38. In 1994, the Government introduced the Priority Poverty Alleviation Programme, which set a goal of lifting 80 million people out of poverty within seven years. Central authorities also created cooperation mechanisms to allow more urbanized coastal areas to support poorer western regions. Subsequent programmes for the development of rural areas in 2001 and 2011 eliminated primary school fees for rural students, among other measures.

39. The country also broadened coverage of the Dibao programme ("Minimum Livelihood Guarantee"), a means-tested, unconditional cash transfer programme that serves as the primary safety net for the poorest individuals. The number of urban recipients almost doubled in a period of 8 years, and the number of rural beneficiaries increased from 3 million in 2001 to 54 million in 2013.

40. In addition to Dibao, a high proportion of low-income households receive agricultural subsidies from the Government. There are also more targeted social assistance measures for a smaller number of extremely poor people (Tekun programme). These include cash and in-kind benefits for the elderly, persons with disabilities and minors under the age of 16 with no ability to work and no source of income.

41. Since 2012, China pursued an ambitious and well-funded strategy of "targeted poverty alleviation". The annual government budget devoted to poverty alleviation more than doubled from \$7 billion in 2015 to \$18 billion in 2019. Recognizing regional inequalities, funding for poverty relief has been directed at counties mostly located in extremely poor regions. The programme carries out a detailed identification of poor households, and they receive individualized support from social workers, who stay in the villages for 2 to 3 years. Families receive comprehensive assistance with regards to education and health. Education benefits include free preschool, primary and vocational education, subsidized higher education, improved access to special education, school renovations, and teacher benefits. In relation to health care, benefits include health insurance and support to hospitals.

B. The Bolsa Família Programme in Brazil

42. Created in 2003 to unify several conditional cash transfer (CCT) programmes, Bolsa Família is the largest CCT programme in Brazil, providing financial assistance to low-income families. It has effectively reduced poverty and income inequality by targeting resources to those in need and encouraging school attendance and health-care utilization.

43. The programme is targeted at households living in poverty (calculated as a quarter of the minimum wage) and in extreme poverty (half of the minimum wage). Priority is given to certain households among those eligible, including certain indigenous and afro-descendant groups. The programme is the largest in terms of coverage in Latin America. By 2022, the programme had reached 20 million families (25 per cent of the population in Brazil), who received an average monthly amount of about \$120 for 4 years.

44. Benefits are paid preferentially to women. Beneficiaries also have access to complimentary programmes in vocational training, education and microcredit, and the principle of “guaranteed return” allows households who surpass the income threshold to enter the programme if their economic situation worsens in the following 36 months. The conditions for obtaining the transfers include school enrolment and attendance, as well as proper vaccination and regular health check-ups for children and mothers.

45. The programme is shock-responsive, and it was expanded during the COVID-19 pandemic, under the Auxílio Emergencial, to include an additional 1.2 million families and with increased benefits.

46. Its impact on poverty reduction has been remarkable. Within a 10-year period, extreme poverty rates were reduced by 1-1.5 percentage points annually, translating to around 15 per cent reduction in the number of poor, and over 25 per cent reduction in the number of extreme poor by 2017. It lifted 3.2 million out of poverty and 3.4 million out of extreme poverty by 2017. It reduced regional inequalities, with the greatest impact observed in the poorest regions of Brazil. It led to resource redistribution, with about 70 per cent of programme resources reaching the poorest 20 per cent of the population. It reduced the Gini coefficient by around 1–1.5 per cent between 2001 and 2015. It had positive effects beyond income, in the health, education and employment sectors, such as reduced infant mortality, lower premature birth rates, increased school attendance rates for young people, and greater entry into the formal labour market. It is a relatively inexpensive programme, costing between 0.4 and 0.5 per cent of GDP in 2018, although it increased to 1.2 per cent of GDP by 2023. Overall, the programme is very cost-efficient with high multiplier effects. In addition, it has remained popular and sustainable through multiple administrations with ongoing reforms.

VI. Policy recommendations for the Arab region

47. The worrying levels and trends of both money-metric and multidimensional deprivations in the Arab region, and especially in Arab LICs and CACs, suggest that reducing poverty requires an integrated approach. Poverty reduction policies should be tailored to country-specific challenges, but the priority for the region at large is to accelerate efforts to close the growing rift in living standards between Arab subregions. This can be achieved by supporting regional growth, particularly in Arab LICs and CACs, and enabling more effective trickledown of growth to households that are poor or vulnerable to falling in poverty.

48. Global success stories help to suggest a roadmap for growth acceleration and poverty reduction, showing that pro-poor growth policies can be effective at driving down poverty and improving living standards. Targeted poverty alleviation strategies and integrated support systems show success in reducing poverty globally.

49. Moreover, the effects extend beyond just income-poverty alleviation, positively impacting health, education, labour market participation and regional equality.

50. High-profile programmes such as poverty reduction through economic reforms in China and Bolsa Família conditional cash transfer programme in Brazil have managed to alleviate rural poverty through detailed support for households focusing on health-care, education and income levels. These programmes also serve as models of successful governance, being relatively inexpensive and sustained through multiple administrations.

51. The lesson for the Arab region is that a combination of strategies, including economic reforms, targeted social assistance, and investment in education and health care, can be effective at spurring long-term growth. Robust economic growth, if managed effectively and allowed to trickle down to working households, has the potential to significantly lift people out of poverty. However, it should be coupled with measures to address regional disparities and ensure equitable distribution of wealth.

52. Conditional cash transfer (CCT) programmes are expected to be successful in reducing poverty by providing financial assistance to low-income families while incentivizing education, health-care utilization

and compliance with certain conditions. All the while, there is a need for continuous monitoring and adaptation of the programmes to address evolving needs and shocks such as wars or pandemics.

53. Targeted poverty alleviation also requires detailed identification of poor households and customized support to address various factors contributing to poverty, such as education, health-care and income levels.

54. Effective poverty alleviation requires strong multi-sectoral coordination between various government bodies, international institutions and civil society organizations. Integrated data systems play a crucial role in identifying beneficiaries and evaluating the impact of poverty reduction programmes.

55. Programmes should be flexible and adaptable to respond effectively to sudden shocks or crises, such as wars, pandemics, or changes in the policy environment, by adjusting benefit packages, expanding coverage, and ensuring the continuity of essential services for affected populations. Long-term success in poverty reduction hinges on the sustainability of programmes across political administrations, ongoing reforms, and adequate funding, and adapting to changing circumstances, to ensure continued support for the most vulnerable populations.

Box 4. Shock-responsive policies

In the past years, shock-responsive policies have increasingly gained momentum. This is particularly pertinent in fragile contexts such as in Palestine. Indeed, many social protection systems across the globe scaled up in response to the COVID-19 pandemic and adjusted the amounts and timing of transfers.

For the State of Palestine, the size of the shock from a rapid onset war is tremendous, and the challenge of responding to it, no less substantial. Amid the ongoing war, the country is grappling with impacts on households, vulnerabilities, displacement, and data access. Policymakers should focus on adjusting the Palestinian National Cash Transfer Programme (PNCTP) benefit packages, registration efforts and system strengthening for effective response. Overall, key steps will be to ensure continuity of service/payments, increase coverage and benefit levels to meet the needs of all affected households, and undertake ongoing monitoring of the profile of beneficiaries in terms of vulnerability and poverty levels. As cash may not be appropriate in all situations, planning for in-kind assistance remains essential.

The war will also create new forms of vulnerabilities (disability, gender based, health-linked) that require changes to selection criteria and/or to the benefit package. The war will affect the non-poor (often not included in existing programmes or registries), and therefore investing in registration efforts and introducing new beneficiary typologies will be crucial. The war is causing widespread displacement, splitting-up of households and loss of key documents (which are needed for validation purposes). It will therefore be important to ensure portability of benefits, and review validation and selection processes.

Access to existing data and systems will become more complex, and support will be needed to strengthen systems and facilitate access. Strong coordination between all governmental sectors, international institutions and civil society institutions will be essential.

Source: ESCWA.

56. Finally, Arab policymakers and observers face a critical concern of data scarcity and data gaps, which obstruct the process of monitoring and addressing poverty across the full region. Prospective growth and poverty-alleviation approaches should be selected from traditional as well as fresh policy ideas grounded in rigorous evidence, and so the priority for policymakers and international organizations should be to shed light on the true nature, incidence, and roots of poverty.
