



## Tackling Poverty and Inequality in the MENA Region

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Received date: 14 February, 2022, Manuscript No. RJE-22-54432;

Editor assigned date: 17 February, 2022, PreQC No. RJE-22-54432 (PQ);

Reviewed date: 03 March, 2022, QC No. RJE-22-54432;

Revised date: 22 April, 2022, Manuscript No. RJE-22-54432 (R);

Published date: 02 May, 2022, DOI: 10.4172/RJE.1000161

### Abstract

In the midst of the Arab uprisings on one hand, and the recent outbreak of the COVID-19 pandemic on the other, exposed the frail social welfare framework needed to tackle poverty and inequality in the MENA region. This paper investigates the types of reforms needed to tackle poverty and inequality in the MENA region.

**Keywords:** Inequality; Reforms; Mena region; Poverty

### Introduction

Poverty, inequality and many other social problems persists to affect the world's well-being, happiness and satisfaction. These problems are not far away from the Middle East and North African region but actually are its main problem. In the MENA region, poverty, unemployment and fragile health are present regardless of the sustained growth that helped the few to jump into the middle class. The region already witnessed and is still witnessing unrest, problems, protest and civil wars. Many reasons might be behind this huge instability including internal and external economic and political factors. But what might not be really seen into clear eye as a major cause is the inequality and poverty that exists, since statistical measures indicates positive outcome while in fact people are witnessing dissatisfaction in terms of well-being. This situation lightened the uprisings and protests that took place. All of this is the result of a weak social welfare framework that hasn't benefited the needy people. According to [1], social safety nets can assist the poor and enhance their current state. Hence, new social welfare programs should be implemented especially that the MENA region is witnessing a "Great Lockdown", with the spread of a deadly virus COVID-19, that worsened the situation and highlighted even more the frail existing social welfare.

In this paper, we will firstly explain how the social welfare framework was demasked with the Arab uprising and shown weak, secondly, we will show how its weakness re-shined with the

pandemic, and finally noting the huge challenges facing the region nowadays, we will provide some reforms that need to be implemented.

### Literature Review

Protests, revolutions and unrest have always been present in the description of the Middle East and North African region through different forms. Many labels can narrate the demands of the protests including economic inclusion and political reasons, but more prominently, the protests came to light as a result of the unfairness of the socio-economic inequalities and the unsatisfaction related to the living standards. According to [2], the MENA region reached the United Nations millennium Development Goals related to poverty and access to infrastructure and also reduced child and maternity mortality, hunger and improved school enrolment. However, this was clearly insufficient since dissatisfaction dominated the region. Furthermore, income inequality is one of the most dangerous problems that the MENA region is facing [3]. Nevertheless, inequality is not only important for social cohesion but also it is crucial for the stability of the economy. Thus, we can notice the high levels of inequalities coincide to happen at the same time with crises. As [4], explain the great recession was caused by income inequalities.

In addition, according to [5], the economic downturn in 2010 was provoked by the increasing inequalities. Finally [6], state that income inequality reduces economic growth and rise poverty in the MENA region, in addition to other factors like primary education, FDI, inflation rates and population growth. So, inequality has a huge impact on the state of the economy and hence the MENA region countries should focus on decreasing its levels.

Controversially, inequality and poverty in MENA region were low and declining and at the same time protests were taking place mostly everywhere. For example, according to [7], in Egypt inequality declined in terms of opportunities as well as income inequality in most MENA economies and stayed constant by international standards. Moreover, according to [8], before the Arab uprising of 2010, 2011 in the MENA region, income inequality seemed low and falling, and wealth distribution was similar to elsewhere in the world. In the same context, according to [9], the percentage of people living below \$2.00 per day has decreased in the MENA region from 1990 to 2005 by 26%. But these statistics are not enough. Therefore, they continue by explaining that even if absolute poverty has improved, relative poverty has been rising and the number of relatively poor has risen from 59 million in 1990 to 109 million in 2005. Similarly, [10] attested that preceding the uprising, there was a sharp decline of the 40 percent middle-class income comparing to the top 20 percent. Thus, we can conclude that even if the living standard were ameliorated, not all the population benefitted from the economic growth. Furthermore, the decline in the absolute poverty rate was slow compared to other regions. Thus, even though inequality seemed declining [11], stated that one of the major reasons that led to the Arab uprising was income inequality. Thus, inequality is still a major problem due to the weak social welfare programs that failed to provide effective results.

In addition, the uprising was largely the result of the low and declining middle-class subjective well-being. Dissatisfaction and unhappiness shined during the 2000s due to many reasons in the MENA countries. Mainly, this resulted from the poor-quality public services as well as the corruption present in the countries, and the lack of formal jobs as [12], mentioned in their IMF research. Thus, the

social contract where services were provided by the government was poorly maintained like for example, free education or health care or even subsidized food. For instance [1], explain that many solutions were provided during the fuel/food and financial crisis in 2008, 2009 as well as during the Arab Spring, and part of the solutions was the increase in the public sector wages, and the scale up of price subsidies even though it was costly and used huge fiscal costs and pressure. These methods were chosen because poverty targeted SSNs lacked data and delivery. Although, even with those programs levels of satisfaction remained low. For instance, according to in Morocco, only 30% of the population denotes satisfaction. Similarly [13], clarified that according to the subjective well-being measures, a conclusion has been drawn that the middle class were dissatisfied from their standard of living, therefore the high unemployment, poor quality of public services and corruption in the MENA region. This high level of dissatisfaction only means that the government has failed. This failure can be translated in the social contract between the government and the people where every promise failed to be adapted like free education, jobs and even health care and therefore only elite corruption was performed. Therefore, the absence public jobs and the small opportunities in the private sector led to high rate of unemployment especially for youth and poverty remained problematic. And even though free health care and subsidies for energy and water were performed, but the services offered were of poor quality. Nevertheless, all these failed social contracts led to people protesting and raising their voices. So, unhappiness and dissatisfaction can be cited as a major factor that led to the Arab uprising as a result of the weak social welfare framework that was implemented to tackle issues of inclusion and inequality.

Thus, we can say that the standard monetary measured of poverty and inequality failed to give a real picture of reality since they don't capture individual's welfare. The middle class suffered poor quality of life related to the high levels of corruption, weak public safety and institutional quality which could have been avoided with the right social welfare framework that lacked or failed at the time. So, the Arab spring can be highlighted as a key indicator for the need to implement new social contract where the government indorses the people into actively participating in the economy and society.

Moving forward to 2020, besides the long suffering of humanitarian tragedies, the MENA region is now facing its most crucial humanitarian crisis with the spread of the deadly virus COVID-19, in addition to its previous and ongoing inter- and intra-regional conflicts [14]. The widespread of the pandemic, especially the curfews imposed, and closures of many businesses have led to a broad range of socio-economic unpleasant repercussions that were already noticeable in the MENA region [15]. As stated by the [16] report, many families are not able to afford basic social services, children are particularly vulnerable; mainly children with special needs, refugees and children living in conflict zones. Moreover, with females being exposed to exclusion and savagery, the statement of gender discrimination and inequality was highly perceived. In fact, women are underrepresented in associations; their percentage of occupying a leadership post in Egypt is reduced to 1% which restricts women's power to be active in the bargaining procedures and demanding for social protection remedies [17]. The following example is a case in point: as most of the female employees depend on informal work, the pandemic and the lockdowns imposed led to a significant drop in their income. In addition, male family members being furloughed have had negative repercussions on the revenue part allocated for women.

Maintaining the water supply infrastructure is a necessity for the citizens, after being demolished in Syria and Yemen due to several years of conflicts. Unfortunately, as a result of the pandemic, many operational facilities were restricted, and many constraints were imposed on the UNICEF teams and other partner organizations on entering the countries and assisting the civilians in order to have access to their most basic human right: Clean water. Some forecasts anticipated by [18], reveals that the aftermath of COVID-19 will witness a spike in poverty of nearly 45 more million people in the MENA region. Therefore, inequality will face a domino effect that would worsen the region's existing massive inequalities based on trends seen in the aftermath of 5 past global pandemics [19].

Governments' intervention in response to the pandemic was launched through economic, financial and social measures. Hence, social assistance initiatives included the strengthening of current social protection programmes and enhancing the one-time cash payments to needy households. However, the social welfare and health related issues were targeted by merely 11% of the stimulus packages in the MENA region [20]. This is mainly due to failure of the unstructured economy to adapt to the pandemic's effects due to the lack of factors and policies to maintain stability of the economy from which we cite: unemployment compensation, progressive taxes and a well-structured social protection framework.

## Discussion

Despite the fact that some countries have benefitted from IMF emergency funding, the social welfare framework was insufficient as the results show the little intervention that has been implemented in the area to boost up social expenditures compared to other forms of assistance. For instance, 3.9 billion dollars delivered to Tunisia [21], Egypt [22] and Jordan [23] were designed to enhance the social welfare, with a special emphasis by the IMF on resuming the financial control of the funding, added to limiting public wage bills and restructuring subsidies [24].

The measures implemented have caused a rise in unpaid work among women and highlighted the effects of austerity witnessed in the region as governments struggle to respond to the situation [25]. Taking the example of Lebanon, the lack of fuel led to power outages in the Rafic Hariri Hospital (considered as the top hospital for treating COVID patients), have engendered the closure of many operating theatres and have put the life of patients in danger [26].

In order to tackle poverty and inequality in the region, a response strategy appropriate to every MENA country should be designed. According, regional heterogeneity in terms of poverty reduction exists in the MENA region, for example in Iraq people living in absolute poverty were above 40% while in Gaza they were less than 2% in 2010. Thus, when aiming for resolution there is no one fits all approach for all the countries. In this manner, an adaptable and appropriate financing is needed urgently with the pandemic spreading rapidly.

Some educational friendly programmes should be implemented in order to assist governments and schools in the development and promotion of online learning and remote social activities. It is also crucial to enhance social protection programs such as school meals, child info lines and social workers in order to safeguard the most disadvantaged children. Not to forget improving the parental support through communication, social integration, and online psychotherapy.

Furthermore, conditional cash transfer at low cost can be a solution, taking for instance the case of cash transfers in Brazil and Mexico that have witnessed a success story in terms of reducing poverty [27]. As a matter of fact, poverty is inherited; therefore a solution to stop the vicious process of poor parents' poor kids can be through cash transfers for education purposes that will increase productivity in the long term since it will engender more skilled labour.

Added to that, we believe that it's time for an increase in the international humanitarian cash transfer and to conduct lobbying and technical guidance in order to assist governments in extending or developing quick social protection measures as a solution to cushion the severe socio-economic effect of COVID-19 that MENA countries are experiencing principally the employment-income losses and the estimated rise in poverty.

In the context of tackling inequality, since most government statistics activities have been suspended, considering an alternative solution backed by innovative and sustainable financing mechanisms for keeping the track of data collection on the status of children and women can be effective [28].

Moreover, imposing higher taxes on wealthy people instead of changing tax bases and expanding the public debt can be seen as a suitable replacement to austerity in the region, and could have generated more flows to deal with the pandemic while keeping inequality and social misery levels very low. Giving a quantitate example to better understand the situation, if we were to tax the wealthy on the rate of 2% in Jordan since 2010, it could have raised 3.65 billion which is equivalent to 1.4 times of the sum of the loans offered by the IMF during the past 7 years.

As a reform action, additional revenues can be raised from taxing the net wealth and corporations that generated profits during the COVID crisis in order to make up for financial losses caused by the pandemic. Besides, demanding for quick external debt relief is highly required in many countries to consequently have access to additional international funds.

Furthermore, enhancement of transparency and accountability in utilizing their COVID-19 responsive program finances and in the health sector is a basic right to be provided by the government.

In order to prepare for a more equal and fair societies in the MENA region, we must ensure the redistribution of income and wealth, to be able to guarantee the financing of the social welfare systems. Also, *via* proper systems of market incentives, and diversification of the resources, we can be able to develop the foundations for inclusive, and sustainable economies, in attempt to reorganize the structure of the economies away from depending a lot on tourism and low-end services that were proved to be inefficient during the pandemic.

## Conclusion

In conclusion, it is true that the MENA region lack strong and effective social welfare programs. As witnessed, the Arab uprisings underlined and unmasked the frail social welfare framework with the high level of unrest and dissatisfaction related to the living standards. Nevertheless, we can see that this weakness hasn't made any progress. With the spread of COVID-19, the social welfare framework was still insufficient and weak. Unfortunately, a corruption is still a leading obstacle in the MENA region and represents a major limitation to the reforms that we have discussed. However, the MENA region should start with the reforms to ameliorate the social welfare in the

MENA countries as soon as possible because we do not have the luxury of time.

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