

The Role of Socio-Economic Policies in Arab Spring Countries

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The Arab Spring brought with it much hope of progress on meeting popular demands for higher standards of living, expanding democracy and freedoms. The images of youth in the streets, the slogans that rallied people to the squares and the active participation of huge masses of people were welcomed by much of the world as a sign of the end of “Arab exceptionalism.”⁷ and the launch of another regional democratic wave that would join previous transitions in Europe, Latin America, and other parts of the world. However, the course of history chose to move in more complex directions.

Uncertain leadership of the uprisings was reflected in a political vacuum at the top, a lack of vision on the future and competition amongst new, inexperienced groups of activists, and between them and other institutions (e.g. the army and security edifice, ancient regime remnants and political movements and parties, both of the rising Islamic variety and others with older secular colours). Meanwhile, the assault on regimes that had over-lived their shelf life necessarily weakened state structures and opened space for underlying forces with economic demands or suppressed identities (e.g. religious, tribal and ethnic groups in Libya, Syria and Yemen).

The rapid rise of Islamic parties, seemingly intent on excluding other groups from government using religion to justify it, frustrated activists promoting human rights. In a historical context, the 200-year arc of intermittent progress towards building secular models of government in the Arab world seemed to be turning decisively backwards towards Islamic precedents from earlier centuries. Sadly, the ISIS declaration of an Islamic State in parts of Syria and Iraq fits into this pattern.

The resilience of structural factors that are unresponsive to quick fix solutions is making governance towards realising improvements in living conditions even more difficult (witness the rapid change of six prime ministers of Egypt over a period of three years or so). The challenges include the high percentage of youth, the high percentage of unemployed, particularly amongst youth and women, the overall gender gap, the low literacy rates, the low allocations to vital services (health, education, social security) and the dependency on government subsidies. There seems to be an absence of vision and ability to formulate clear, pro-poor social policies or strategies to address deep structural problems in the region. This paper seeks to explore these problems, explain their dimensions and examine socio-economic policies introduced so far to target them. Considering the history of Turkey in democratisation, it also discusses whether Turkey is a candidate for becoming a model for Arab countries.

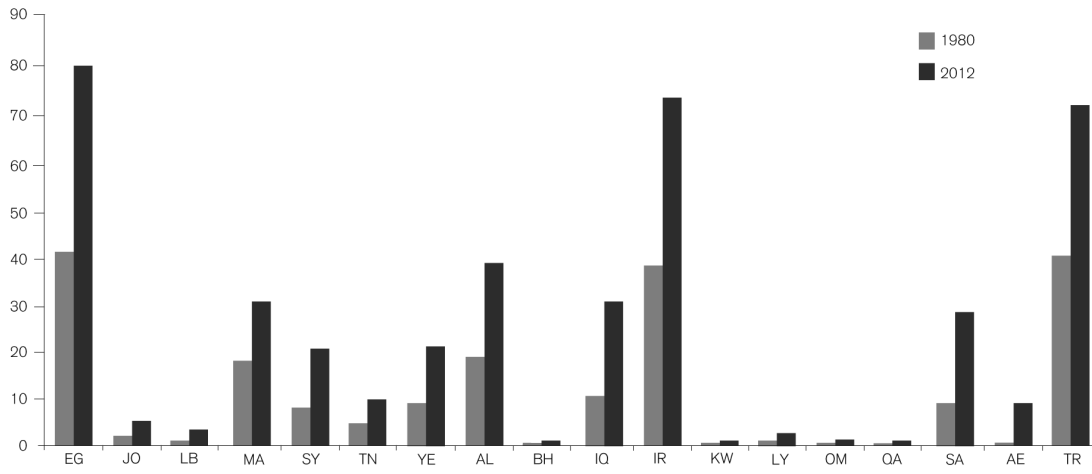
⁷ The idea that the Arab world did not join the successive global waves of democratic transition.

Socio-Economic Situation and Policies to Address Short- and Long-Term Challenges in the Region

Population

Arab countries constitute about 19.4 per cent of the world population with 362.5 million people (WB, 2013). In 2012, the population growth rate of the Arab countries was 2.06 per cent. This growth rate is approximately twice as high as the world population growth rate (1.01%) and the population growth rate of Turkey (1.2%) (WB, 2013; TURKSTAT, 2014). In contrast to developed countries, the population structure in many Arab countries includes a majority of young people (<25 years old) contributing to rapidly rising labour supply levels and huge unemployment (B. Mirkin, 2013). It could be argued that this was one of the major structural factors contributing to the Arab Spring revolutions.

Graph 1: Total Population in 1980 and 2012 (millions persons)



Source: WB, 2013; TURKSTAT, 2014.

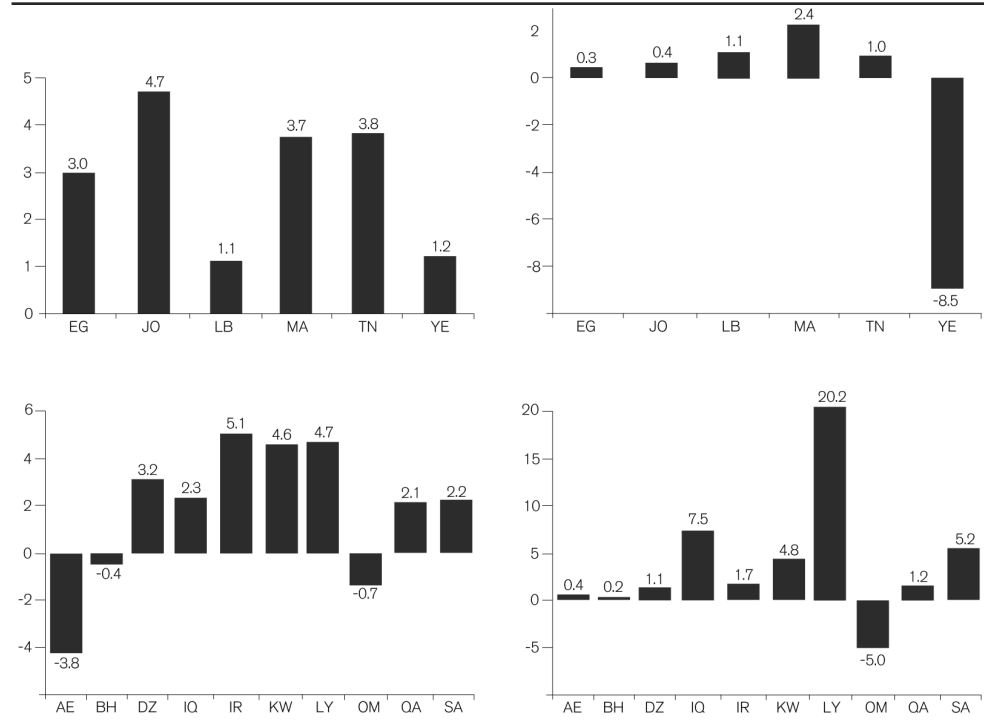
All Middle East countries introduced national family planning programmes to reduce the level of the crude birth and fertility rates of their citizens in the 1990s and policies to improve women’s education and employment opportunities (O. Winckler, 1998).

Per Capita Income and Economic Growth

One of the other major structural factors contributing to the Arab Spring revolutions was the failure of the region to achieve inclusive economic development. In practice, inclusive

economic development is facilitated by economic growth (i.e. per capita income growth), whereby newly-generated resources can be used for public expenditure. Compared to the previous decade, the economic growth rates have generally decreased in many countries of the region.

Graph 2: Economic Growth Rates



Note: Calculated as annual percentage changes in per capita income levels from WB, 2013. Average values for the 2002-2007 and 2011-2012 periods are represented.⁸

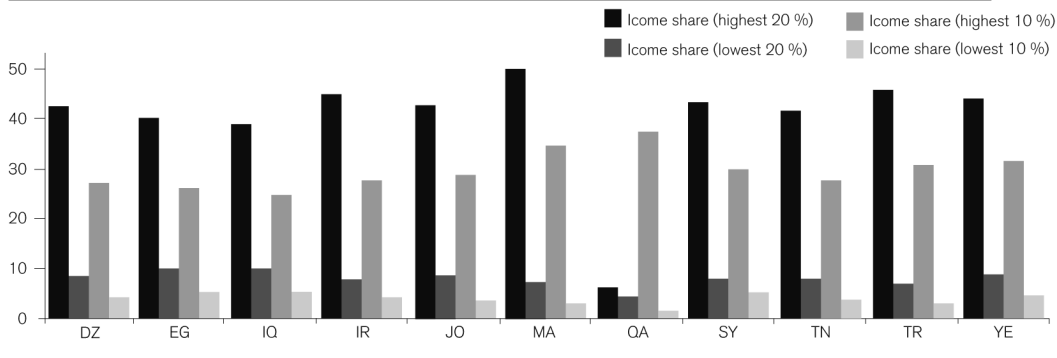
In those directly affected by the Arab Spring revolutions negative growth rates have been experienced. Most of the Arab Countries have by now announced ambitious reforms of generalised energy subsidies and other current expenditures to create better targeted social protection for the poor, and higher spending on infrastructure, healthcare, and education. These are important first steps in implementing the medium-term growth agenda. However, reforms to improve tax policy, civil service, and public financial management remain quite limited. More attention should also be placed on banking and financial sectors, governance, business climate, and labour markets. Most importantly, the projected growth performance remains far below the sustained 6 to 7 per cent rates needed to achieve a meaningful reduction in unemployment and improved living conditions for the broader populations (IMF, 2014)

⁸ Compared to economic growth rates of oil and non-oil economies, the average growth rates of Turkey for the periods 2002-2007 and 2011-2012 are 5.4% and 4.1%, respectively.

Poverty, Employment, Inflation Trends

In terms of poverty, the percentage of the population living below \$2 international dollar (PPP) a day is high in Arab countries (e.g. Yemen 46.6%, Egypt 15.43, Algeria 23.61%, Syria 16.85%, Morocco 14.03) (WB, 2013). Moreover, poverty and income inequality are likely to exceed official numbers (C. Breisinger et al., 2012). There is also a huge gap between the income share held by the richest 10 per cent (or 20%) and the poorest 10 per cent (or 20%) of the population.

Graph 3. Income Share Held by Population Groups

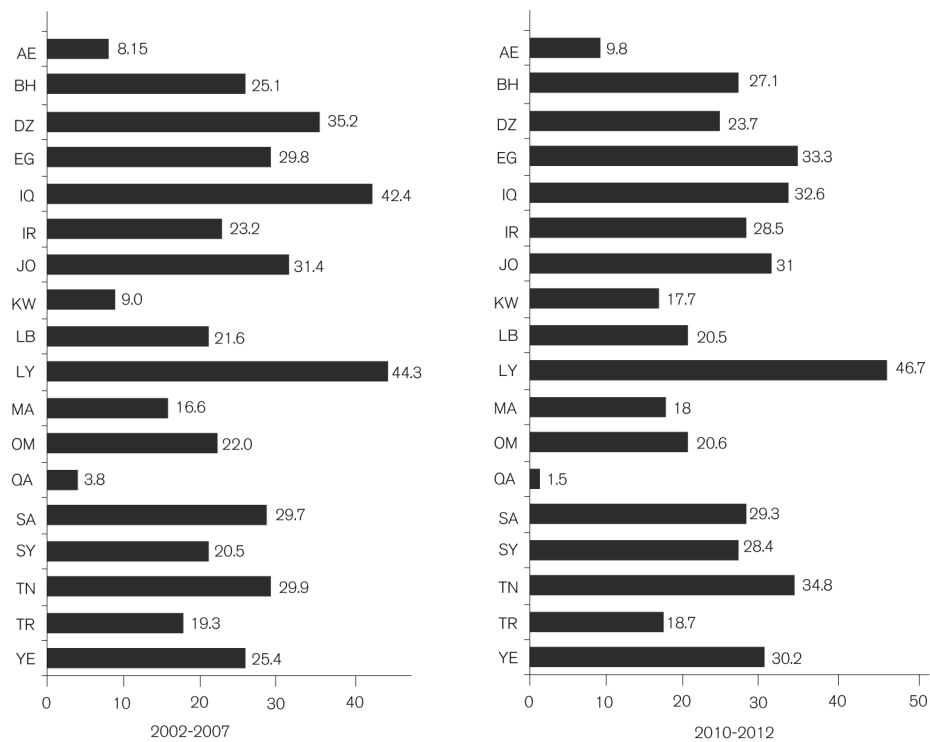


Source: WB, 2013.

Moreover, the region (except for Bahrain and Morocco) has serious economic problems caused by inflation. In particular, high inflation deters investment and impairs household disposable income. Arab Spring revolutions have not led to any trend shifts in national inflation rates except in Libya (WB, 2013). In Egypt, for instance, higher inflation has been experienced as international reserves have continued to fall and policy makers have allowed great exchange rate flexibility. Policy makers of many countries in the region are currently looking into ways to adopt a monetary policy that can strengthen external competitiveness (IMF, 2013). The region faces high unemployment rates as well; particularly for youths and women.

The already very high youth unemployment rose sharply during the Arab Spring; from 2010 to 2012 it increased by 4.5 per cent. Currently it is the highest in the world, almost four times larger than the global youth unemployment rate. Although female unemployment rates decreased between 2011 and 2012 (except for Saudi Arabia), they remain high. In 2012, the world average female unemployment rate was 6.4 per cent, compared to the Arab world and Turkey averages of 19.5 per cent and 10.7 per cent respectively (WB, 2013).

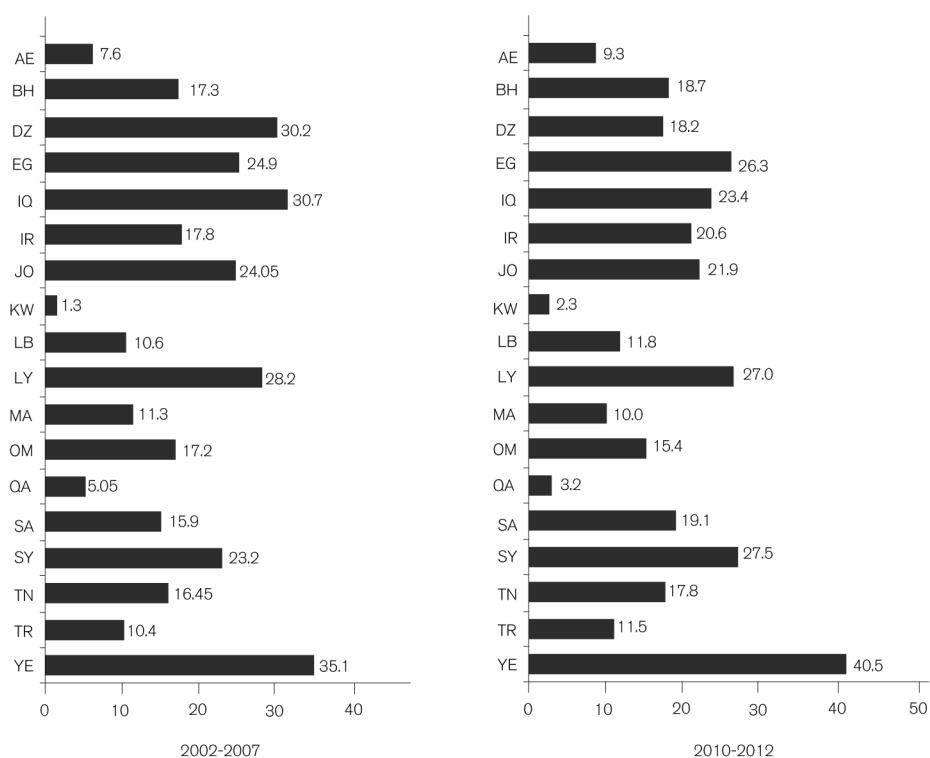
Graph 4. Youth Unemployment Rates (% of Total Labour Force Ages 15-24)



Source: WB, 2013. Note: Average values for the 2002-2007 and 2011-2012 periods are represented.

Another feature of the Arab World's employment situation is that public employment is higher than private employment. Indeed the region has the highest relative importance of public administration in the world. For instance, the share of public sector employment in total employment in Egypt, Jordan, Syria, Algeria and Iran is 36.5, 30.9, 40.7, 52.4, and 23.8 per cent, respectively (M.A. Behar and M.J. Mok, 2013). The public sector is the main actor for job creation but suffers from a precarious employment strategy. The private sector in Arab countries suffers from many weaknesses that hamper its role in absorbing employment. To further complicate this picture, political pressure associated with the events of the Arab Spring have resulted in the hiring of larger numbers of public employees, which creates higher wage bills (IMF, 2012). In Turkey, public sector employment increased between 2004 and 2012. However, this increase was in parity with employment growth in the private sector. Turkey limited the increase in public employment up to 2010 as part of a macroeconomic stabilisation programme (transition into powerful economy) that was introduced following the economic crisis in 2001.

Graph 5. Female Unemployment Rates (% of Total Female Labour Force)



Source: WB, 2013. Note: Average values for the 2002-2007 and 2011-2012 periods are represented.

Moreover, the privatisation of state-owned enterprises after the crisis contributed to a decrease in public employment. Murata (2014) provides effective policy suggestions that can support the development of more attractive jobs in Arab countries, specifically in Egypt's private sector, and lead to job creation and inclusive growth. The suggested economic policies are to narrow public-private sector wage differentials, improve benefit schemes targeting private sector employment (particularly support for continuing education, upgrading qualifications, and health insurance) and improve IT infrastructure. Taken together, these policies could significantly contribute to increasing the rates of a private sector employment among young Egyptian job seekers, even without public sector wage reductions.⁹

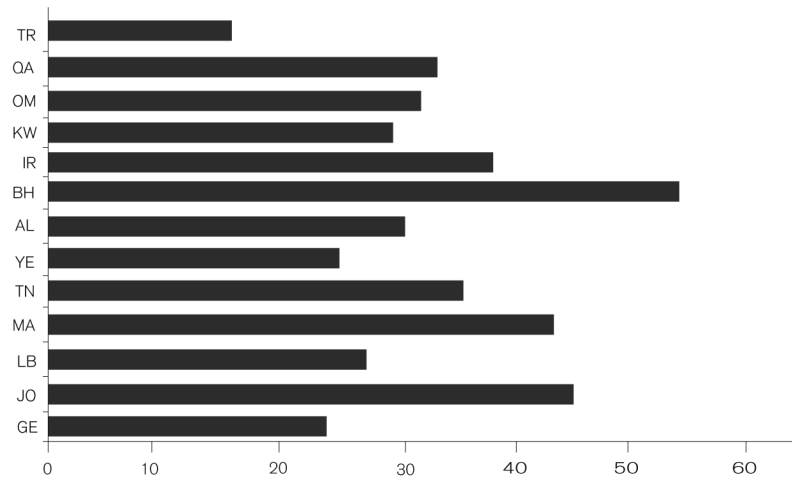
Education

The female population rate with at least secondary education is 32.9 per cent in the Arab region compared to a world average of 54.2 per cent.¹⁰ Although the region has been

⁹ Government wages in the Arab region have so far constituted a high share of total government expenditures (M. SAID, 2001; T.M. YOUSEF, 2004).

¹⁰ Arab countries are following far behind the world countries in Human Development Index including its components, such as education, health, labour and political participation. The general Human Development Index score is 0.682 for Arab States and 0.702 for the world country average.

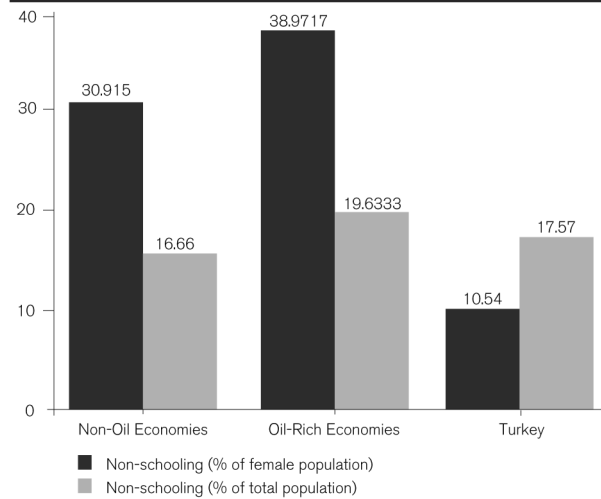
Graph 6. Central Government Wages (% Total exp.)



Source: WB, 2011. Note: "Latest Year" represents the statistics of 2008 for all countries except Algeria, Bahrain, Turkey and Oman. Algeria and Bahrain's latest year statistics belong to 2005, while Turkey and Oman's latest statistics are available in 2001.

closing gender gaps over recent decades (A. Malik and B. Awadallah, 2013), stark gender inequality remains with respect to the ratio of boy-girl schooling ratio and male-female literacy rates (R. Hausmann et al., 2013).¹¹

Graph 7. The Average Non-Schooling Ratios

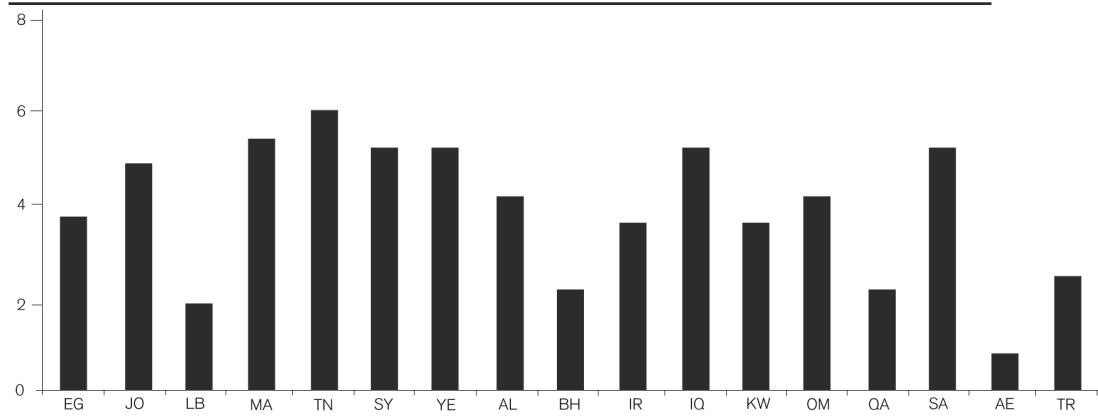


Source: R.J. Barro and J.W. Lee, 2013. Note: Graph is obtained using the most recent available data for each country.

¹¹ Klasen and Lamanna (2009) have found that between 0.9 and 1.7 percentage points of the growth difference between MENA and East Asia is accounted for by gender gaps in education and employment.

Education quality does not match labour market demand, especially in vocational fields. Moreover, at all levels of education, large differences exist between service quality and the amount spent per student in the region. The weakness of the education system is highlighted by Malik and Awadallah (2013), who indicate that young people not only are unemployed but also unemployable. This problem persists despite the fact that public spending on education in the Arab World is comparable to countries in the rest of the world.

Graph 8: Public Spending on Education (given as percentages of GDP)



Source: WB, 2013.

Behar and Mok (2012) explain that public education spending in the region has negative effects on economic growth, due to the inferior and inefficient education system and ineffectiveness of public service delivery, while it is a driving factor of growth in the rest of the world.

In view of the effectiveness of public service delivery, better resource allocation policies are needed. For instance, public buildings for educational purposes are built without providing for efficient operations and maintenance (M. Pournik, 2011). Furthermore, weak and corrupt governance permeates all parts of the education system. A revision of subsidies and assistances provided to the education sector is needed without subjecting them to political allegiance (I. Saif, 2011). The EU has started to facilitate mobility by increasing slots available for university scholarships and exchanges in Erasmus Mundus, and by discussing Mobility Partnerships with Morocco, Tunisia, Egypt and Jordan. However, the partnership has been turned down by Egypt, and other countries are so far unwilling or unable to accept the agreements as they presently stand.

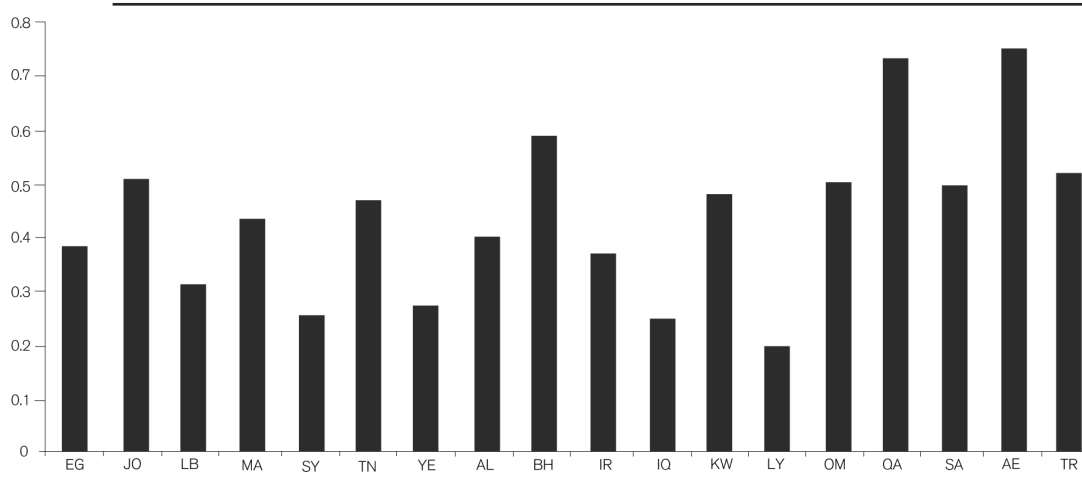
Governance

Another reason for the Arab Spring revolutions was the corruption that has been a source of discontent with authorities. Since corruption in this context implies that malfunctioning governance is in place to favour a small elite in society, it is clear that it can impose a binding constraint on inclusive economic development.

Evidence shows that, once corruption infiltrates institutions, it is highly persistent and very hard to counteract (B. Dong et al., 2012; A. Mishra, 2006) in comparison with other facets of malfunctioning institutions (attributed to low administrative competence, etc.). In the region, not only a shift in the governing authority benefiting from the corrupt state but also a further improvement in institutional quality is needed. Moreover, ridding institutions of corruption requires persistent and continuous work for a substantial period of time.

Graph 9 presents corruption indicators for Arab countries.¹² The figures show that countries in the region are heavily infiltrated by corruption problems, which is in line with evidence that it is one of the most problematic factors for doing business in the region (WEF, 2013).

Graph 9. Corruption Indices in 2013



Source: WB, 2014.

The countries in the region that are most burdened by corruption barriers to development are Libya, Iraq and Syria. The figures presented underline the persistence of corruption problems. Furthermore, there is no sign of major improvements after the Arab Spring revolutions. This may be surprising given the stark political focus on counteracting corruption problems in the region. A survey by Transparency International, a global non-

¹² The indicators are inverse corruption measures recalculated to be in the 0 to 1 interval. Interpolated index values are used for the years 1997, 1999 and 2001, for which no data is available.

governmental body that studies bribery around the world, reports citizens continued frustration with corruption after Arab Spring revolutions. In Egypt, 64 per cent said corruption had worsened; in Tunisia, the proportion was 80 per cent. Christoph Wilcke, Middle East and North Africa Director for Transparency International, recently said that with the social and economic turmoil that has followed the Arab Spring, however, governments have had little time or energy to push reforms for reducing corruption.

Food Security

Global food price rises in 2008 triggered serious concerns about poverty, food security and malnutrition in the region (S. Akhtar, 2011). These price hikes (particularly bread prices) have been one of the factors causing the Arab Spring revolutions. In terms of both food production and consumption, the situation in the Arab region has been deteriorating. The region is food insecure both at the individual consumer level (high rates of poverty) and on a national level (reliance on imports) (D. Rosenberg, 2011).

Food insecurity in Arab countries essentially revolves around two issues. The first, resource endowments, relates to how different countries in the region have positioned agriculture in their economies and how governments deal with endowment shortfalls. The second is food prices, specifically how this factor creates vulnerabilities and impacts poverty.

Resource Endowments

Agriculture in the MENA region is severely constrained by availability of water and arable land. Currently, the region imports at least 50 per cent of its food (WB, 2009). Moreover, climate change is predicted to alter rainfall patterns. These challenges are made more difficult by the relatively high rates of population growth, low agricultural productivity and urbanisation driving food demand and therefore vulnerability (EIU, 2010). More efficient natural resource use is needed. For instance, Jordan is one of the most water-poor countries in the Middle East and the most water-stressed Arab country but the policies in place do not sufficiently target managing demand for water, particularly in rural areas. Jordan is primarily seeking to solve its water crisis by finding more sources of supply. This is a common malfunctioning strategy in the Arab region where groundwater resources should be managed more effectively, growing urban demand for water needs to be satisfied and ineffective governance needs to be tackled (S. Greenwood, 2014).

Food Prices, Fiscal Pressures and Poverty

Large and unpredictable variations in global agriculture commodity prices are particularly problematic in the region for producers, importers, consumers and governments. Increasing international prices place an upward pressure on the national and household budgets (S. Akhtar, 2011). The region plays a significant role in the rise of international commodity prices that are influenced by the ratio of stocks to use for major grains such as maize, wheat and rice. Almost 30 per cent of the world's wheat is consumed by the Arab World, making them the largest net importers of cereal globally (S. Akhtar, 2011; WB, 2009). When stock-to-use ratios are low, prices rise. Therefore, the region's dependence on imports is a significant risk for agricultural commodity prices (S. Akhtar, 2011). A critical division exists between oil-exporting and non-oil economies when it comes to increases in global food prices (D. Rosenberg, 2011).

Those countries with strong fiscal balances that are dependent on food imports (oil-producing countries) are less exposed to price risk but may face quantity risk resulting from export bans and other trade restrictions. Others that are less dependent on imports but have weak fiscal balances (e.g. Egypt, Morocco, Sudan and Syria) face low quantity risk due to higher domestic production levels but high price risk. Increases in food prices are likely to affect some groups more than others with the hardest hit being the rural landless, small or marginal farmers and the urban poor. Notably, 75 per cent of the poor in Arab countries are concentrated in rural areas (J.A. Lampietti et al., 2011). However, all governments can follow the recent strategy of Egypt implementing a ration card system for food subsidies. Subsidised bread continues to be sold at the unchanged subsidised price of EGP 0.05 per loaf (free market price of EGP 0.35 per loaf) with a maximum of five loafs of bread per person. Bakers in Egypt are no longer permitted to purchase wheat flour at subsidised prices but they will be reimbursed by the Government based on sales data gathered from the smart cards (FAO, 2014).

Moreover, the poor may sacrifice productive inputs to purchase food that has ramifications on their future earning potential (J.A. Lampietti et al., 2011). For instance, food shortfalls and bad nutrition (lack of micronutrient deficiencies like vitamin A, iodine, iron) can cause low birth weight, maternal malnutrition, child under-nutrition, being underweight, anaemia that can have negative effects such as higher child mortality rates, weak learning, lower IQs and increased rates of teenage delinquency (A.O. Musaiger et al., 2011). Furthermore, price shocks will inevitably force families across the region to make difficult choices regarding spending to educate their children or to seek medical care against the basic need to provide food for their families. To avoid such a calamity, Arab countries, regardless of their fiscal

position, must re-examine their exposure to food insecurity and the risk of decreased supply (WB, 2009). For instance, for increasing the meat supply, in December 2013, the Ministry of Agriculture and Land Reclamation (MALR) instituted a prohibition on the slaughter of live cattle that are less than 250 kilograms in an effort to increase red meat production. Slaughtering the animal at higher weights will produce more beef and feed more people. According to the ministry, the decision that took effect on February 2014 aims to protect 300,000 to 500,000 calves that would otherwise be slaughtered and will increase Egypt's red meat production, with an expected total of 150,000 tons per year.

Investment in research and development, as well as family planning services and educating populations about health and nutrition should also play an important part in food security strategies (J.A. Lampietti et al., 2011). The World Bank believes that education is the "first pillar" of improved food security in Arab countries. Educating families about nutrition can reduce demand for cereals. Health education programmes should also encourage families to choose a more balanced diet that is less dependent on cereal (WB, 2009). A primary goal of such programmes would be to make people aware of the nutritional composition of staple foods. For instance, a recent policy incorporating a range of life saving and preventive activities (Nutrition Cluster Strategic Response Plan 2014-2015) has been implemented in Yemen by a total of 24 nutrition partners (15 international NGOs, 6 national NGOs, 3 UN agencies). A total of 94 million USD was required to respond to immediate and high priority needs of nutritionally affected groups. By the middle of this year about 35 million USD was received by nutrition partners. To date, there is a shortfall of about 60 per cent of the funding requirement. The response plan comprises compressive service packages such as screening and treatment, multiple micronutrient supplementation, hygiene promotion and provision of hygiene kits to families and children. Out of 333 districts in Yemen, 152 were identified as serious or critical emergency nutrition areas.

Arab countries can enhance the food supply through increased investment in research, development extension and technology transfer (J.A. Lampietti et al., 2011; WB, 2009). Not only do governments need to invest in public sector research, but enhancing incentives for agricultural researchers within the private sector needs to be encouraged across the region to improve agricultural productivity, to deal with challenges such as water scarcity,¹³ climate change and food insecurity. Higher productivity can in turn increase the purchasing power of the rural poor as well as increasing foreign-exchange earnings and reducing dependence on imports (J.A. Lampietti et al., 2011).

Active investment in infrastructure to produce, store and transport food¹⁴ is also useful to reduce the effect of price shocks on imported goods (WB, 2009). Possible investments

13 Governments must encourage farmers to invest in water-saving irrigation and to switch from low-value water thirsty crops, such as wheat, to higher-value crops, such as vegetables and fruit (WB, 2008).

14 The World Bank notes that approximately three-quarters of the retail price of food is attributable to production, transportation and marketing (WB, 2009).

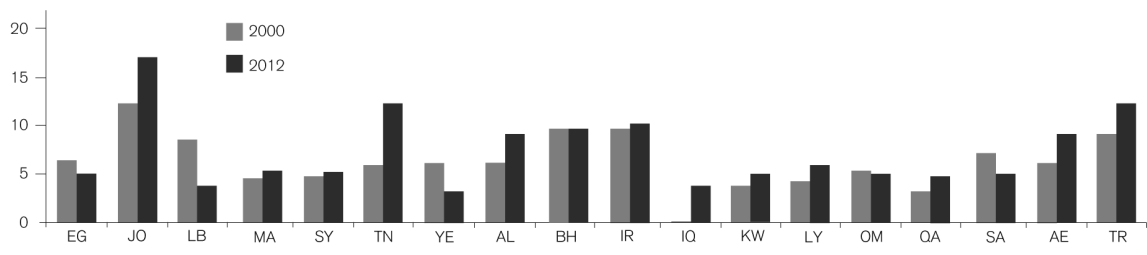
could be in infrastructure, land or technology. Investment does not necessarily have to be within the government's own country, it can be indirect investment such as support of research and development in those countries with the potential to increase agricultural exports to Arab countries. Arab investors are increasingly leasing or purchasing land in poor but land-abundant countries in an effort to secure food supply. Similar to domestic stockpiling capabilities, Arab countries can also invest in the permanent, mobile and intellectual infrastructure used to produce, store, and transport food abroad (J.A. Lampietti et al., 2011)¹⁵ as the positive consequences of currently implementing the policy in Egypt known as the ration card system (R. Ramadan, 2014). Further, investment in production, transportation and storage could also allow those food-importing countries with access to inexpensive petroleum better arbitrage prices for both food and fuel (WB, 2009).

Even if Arab countries can successfully address demand and productivity issues, they will likely remain net importers of cereals and be exposed to the risks of thin markets and high prices. Improving efficiencies across supply chains and more effective use of financial instruments, such as options and futures, will assist in reducing exposure to volatility in the market (WB, 2009; J.A. Lampietti et al., 2011).

Health

There are big differences in health spending patterns between Arab countries. In 2012, Jordan was the country with the highest public health expenditure as a percentage of GDP (and as a percentage of government expenditure). In countries like Egypt, Yemen and Syria, public health expenditures stand for a low share of total government expenditures.¹⁶

Graph 10. Public Health Expenditures as a % of Total Government Expenditures



Source: WB, 2013.

Public provision of health is necessary to ensure equality. Perhaps the clearest justification for governments to intervene in healthcare is that health is one of the important basic human

¹⁵ Permanent infrastructure includes ports, silos, and roads. Mobile infrastructure includes assets, such as boats and trucks, and inputs, such as fertiliser. Intellectual infrastructure includes patents to seed varieties and other technologies.

¹⁶ Similar indications are obtained for public health expenditures as percentages of GDP.

rights or entitlements. Governments should therefore ensure that the most vulnerable group in a society is provided with at least the most basic healthcare.

Social Safety

Social protection in Arab countries has consisted of three major components in terms of contributory social insurance systems, social assistance systems (cash transfers and public subsidies) and social safety nets that have been privately provided. As in the case of health care, social safety nets through private sector provision have tended to increase social fragmentation (M. Karshenas and R. Alami, 2012).

The share of old age social protection expenditures, such as pensions, is the highest among categories of social protection expenditures, such as unemployment benefits, labour market programmes and other forms of social assistance (M. Karshenas and R. Alami, 2012). Public old-age benefits as a percentage of GDP lie in the 0.5 and 7.5 per cent interval with Jordan spending the most. In Turkey, the corresponding figure is 7 per cent. Tunisia spends the most on social benefits as a percentage of GDP, 3.4 per cent. The corresponding figures for Iran, Jordan, Bahrain and Algeria are 1.8, 0.7, 0.5, 0.3 and 0.2 per cent respectively (ILO, 2014).

Subsidies on items like fuel and food have often been high but inefficient at reducing poverty (C. Breisinger et al., 2012). Some food subsidy programmes have been criticised for the food waste and the leakage in the food subsidy system that takes place in the different stages of the food supply chain. For instance, two subsidy programmes in Egypt, the baladi bread programme¹⁷ and ration card programme,¹⁸ have required an increasing budget while suffering from the problems of waste and leakage. The weak targeting and the corruption resulted from a system structure where some non-poor groups benefit from the system. The leakage can be measured in terms of the amount of subsidised food that does not reach intended people. In 2008/2009, the baladi bread programme accounted for 68 per cent of the leakage of the system, while leakage rates change for the ration card programme depending on the ration programme, such as cooking oil with 31 per cent, sugar with 20 per cent and finally rice with 11 per cent. However, the Government of Egypt recently replaced the ration card system with a smart card system. This new system has embedded chips that contain data on the household head's monthly quota of subsidised goods and other household information as well. Such reform would enable the government to track both the distribution and consumption of goods included in the system using a simple electronic method in order to reduce wastage and leakage. For baladi bread, a new system was also implemented, in March 2014, starting with Port

¹⁷ Programme includes subsidised wheat flour (82%) and the dark country-style bread known as baladi bread.

¹⁸ This programme offers fixed monthly quotas of some commodities per person for households holding the cards.

Said as a pilot governorate and for all Egypt's governorates in October 2014. The new system provides 150 loaves of subsidised bread every month per person in households with an electronic card (R. Ramadan, 2014). These new systems in Egypt would be an example of social assistance reform for other countries in the Arab region.

Active labour market programmes (ALMP) in the region have not been efficient. These interventions include public employment services (PESs), employment subsidies, training programmes, public works programmes (PWP), and micro, small and medium enterprise (M/SME) development programmes. Well performing ALMP systems require public-private partnerships. In Turkey, for example, well-functioning ALMPs are largely financed by the public sector but predominantly implemented by private providers (G. Betcherman et al., 2010) in contrast to Arab Countries. ALMPs in the Arab region are mostly provided by private centres and even publicly-provided ones, resulting in fragmented delivery that leads to duplication and inefficiencies. In Tunisia, publicly provided ALMPs, are often delivered by different ministries, such as Vocational Training and Employment, Regional Development, and Social Affairs. Due to poor inter-ministerial coordination and lack of one single decision-maker, many of these programmes are not efficient (S. Belghazi et al., 2013).

Poverty Related Social Policies in Turkey

Scholars from Europe, Turkey and Arab countries alike think that Turkey could play a role for the region after the Arab Spring. Turkey was definitely the most democratic Muslim country in the Middle East before the Arab Spring and might therefore be a likely candidate to become a model for Arab countries. In fact, Turkey in comparison with other Arab countries is still peculiar; mainly because of its secularism and guarantees of equal rights for women – a legacy of Atatürk's firm, pro-west orientation. However, it is crucial for Turkey to stay on track towards full democratisation. Moreover, the economy in terms of GDP has also been expanding over the years. The country became the fastest growing country after China in 2011 (A. Balcer, 2013).

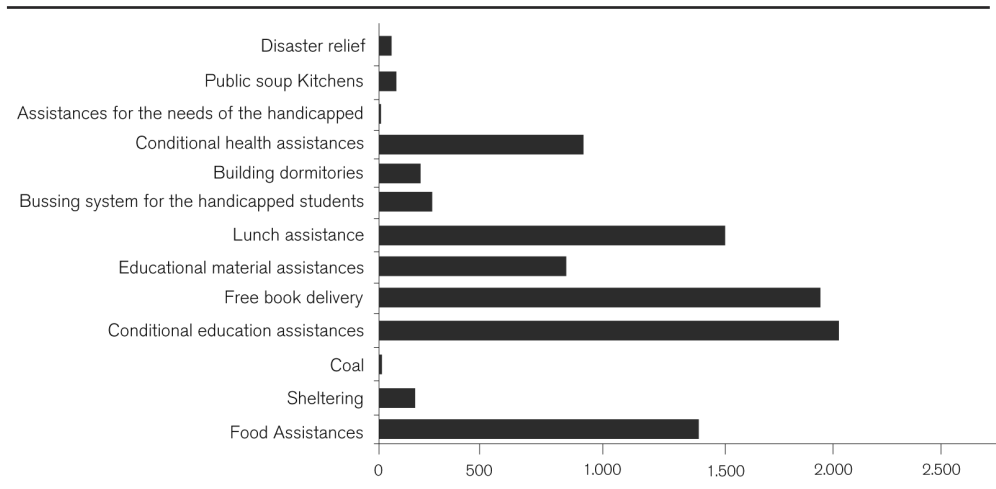
However, Turkey is also facing socio-economic challenges. For instance, while Turkey has been successful in sustaining positive GDP growth rates throughout most of the recent period, it has not been successful at generating employment for senior high school and university graduates. The employment rates for those groups have been decreasing from 2001 to 2013. In the same period, unemployment benefits have been substantially increased (TURKSTAT, 2013).¹⁹ In addition to unemployment benefits, there are social assistance programmes on education, health and cash/kind transfers targeting families, children, and people with disabilities. In contrast to Arab countries,

¹⁹ The Unemployment Insurance Act was enacted in 1999 and was put into effect as of June 2000 in Turkey. However, since the introduction of the social assistance system in 1986, Turkey has been trying to address the detrimental effects of unemployment.

social policies are more efficient and relatively well targeted in Turkey with the aim of poverty alleviation.

Social Assistance in Turkey is categorised under six headings according to the purpose of extending support, including: Education, Health, Family, Assistance for Specific Purposes (such as public meal kitchens and disaster relief), Assistance Implemented According to Law No. 2022 (Allowances for elderly persons, for the handicapped and relatives of handicapped persons under 18, payment for MS patients), and Home Care Allowance. Family Assistance is further itemised according to specific interventions, including: food assistances, shelter, social housing projects, heating, support to widows, assistance provided for needy families. Education assistance is also specified according to each intervention, including: educational materials, conditional cash support, lunch, books, transportation, sheltering and food assistance (school meals) for the students, bussing system for handicapped students, and building dormitories. Health assistance consists of conditional health assistance (health and pregnancy), as well as support for the handicapped. The share of social assistance expenditures, as a percentage of GDP, was 1.43 per cent in 2012, which is almost three times higher than allocations in 2002 in terms of GDP share. The government spent about 19.6 billion TRL (11 billion USD)²⁰ in this area in 2012.

Graph 11: Social Assistances in Turkey/2012 (million TRL)



Source: S. GUNES, 2013.

There are also projects to encourage self-employment and entrepreneurship amongst the poor and vulnerable. In the 2003-2012 period, the total budget allocated to these

²⁰ The exchange rate was 1.78 TRL = 1USD at the end of 2012.

projects was 1,351 million TL, benefitting approximately 1.5 million people. Moreover, the number of some of these projects, especially those implemented by women, was increased by 30 per cent in 2010 (S. Gunes, 2013).

Furthermore, the Universal Health Insurance scheme introduced in 2012²¹ has increased the number of people under health insurance and provided higher access to healthcare services. The Family Medicine Programme (FMP) was implemented in 2010 to assign an individual doctor to each patient. Access to health care has been increased with both Community Health Centres (CHC) and Family Health Centres, under the supervision of 81 Provincial Health Directories. The rate of full vaccination coverage, the number of per capita visits to health care facilities and per capita hospital visits sharply increased from 2002 to 2011. The integration of the previous three main social security institutions under a single Social Security Institution has provided higher equity in access to health services (WHO, 2013).

In the 2002 to 2011 period, pensions and social assistance accounted for 7 and 3 percentage points of poverty reduction respectively by targeting the bottom 40 per cent of the population. Social assistance also contributed to the reduction of the Gini coefficient (J.P. Azevedo and A. Atamanov, 2014). As it is applied in Turkey, well-targeted social transfers and policies would result in a sharp drop in poverty headcount, depth and severity in many Arab countries. Effective safety nets are especially crucial to assist those households in greatest need. Such safety nets need to be flexible and targeted to ensure that programmes can be scaled up or down as needed. Scalable and targeted safety nets can also soften the impact of price shocks by ensuring that poor families can pay for healthcare or children's education as well covering food costs. In particular, cash transfers can protect those most in need and empower beneficiaries to make purchasing decisions. The evaluation by IFPRI (2006) provided considerable evidence that the CCT programme in Turkey had substantial impacts on a number of key education and health outcomes.

With its past achievements in reducing poverty and promoting health and education, Turkey has the potential to serve as a source of inspiration for Arab countries where poverty is much more widespread, economic growth is more volatile and social benefit systems are underdeveloped.

Conclusions and Recommendations

Arab countries in transition are facing stark economic and socio-economic challenges. While these challenges should not be underestimated, properly conducted policies could

²¹ The scheme replaced the Green Card Scheme (mainly for the poor) introduced in 1991.

improve the prevailing economic conditions and counteract socio-economic problems. In this regard, it is imperative to ensure that countries can build on resources available to create a strong foundation for sustainable development. In this context, it should be emphasised that policy makers need to access accurate information about the main economic problems to be addressed in their country. In the face of scarce resources, this information is not easily obtained, as can be easily confirmed by the lack of data availability and prevalence of high-skilled specialised economic expertise in the state apparatus. There is a clear opportunity for the EU and international organisations to contribute in this regard.

Many countries in the region have inefficient systems in place to counteract poverty and raise the income means of the poorest in society. There is often a heavy reliance on food and energy subsidies to help people reach subsistence levels, which tends to segment poverty problems and undermine the state of the economy. Overarching policies to introduce all-encompassing social insurance systems could alleviate the poverty problems while strengthening the democratic value base in society. If efficiently implemented, this type of policy would reduce poverty, introduce labour productivity gains, alleviate educational and health inequalities and raise aggregate economic growth prospects in the medium and long term. Such policies must go hand in hand with that of tackling the relatively large informal economy in Arab countries. Not only do policy makers lose out on precious tax revenues, but the lack of any form of social protection pertaining to all those making a living through odd jobs in the informal sector would make this a necessity to establish a basic form of equal treatment of citizens. An underlying motive for using subsidies is to counteract negative effects of food price shocks filtered in through world markets. In the past, Arab countries have responded to price shocks with combinations of trade and tax policies, safety-net programmes and wage increases (J.A. Lampietti et al., 2011). For example, Egypt banned rice exports and Morocco reduced wheat tariffs during the 2008 food price shocks. Tunisia reduced taxes on wheat and implemented price controls on strategic staples, and several Arab countries (e.g. Egypt, Jordan, Oman, Syria and Yemen) increased their public sector wages as compensation for higher food prices. Some Arab countries have implemented food and energy subsidies as a primary safety net for those at risk. All these remedies can be problematic. Subsidies, an almost ubiquitous feature across the region, can have huge social and fiscal costs while diverting resources away from more productive, alternative production uses. Subsidies all too often encourage waste and engender corruption. Safety nets do not always reach those most in need unless they are well targeted.

Moreover, many of the Arab countries experience gender inequality problems and there are indications that these problems have been exacerbated by the Arab Spring

revolutions. It should be emphasised that discrimination in the labour market is a waste of productive resources that reduces a country's economic growth prospects.

The corruption problems faced by the population in the region vary significantly between countries. For those that underwent the Arab Spring upheavals, there is no sign of improvements being made to date. Corruption strongly infiltrates the institutions of a country and is persistent in character. It is recommended that anti-corruption agencies are set up and provided with sufficient autonomy and resources to address these problems with the help of an independent and well-functioning legislative system and police force.

The support of international organisations and the EU to the Arab region can also play a crucial role in promoting democratic institutions, adopting necessary economic and institutional reforms and improving economic growth conditions. For instance, the World Bank has provided a diverse loan portfolio and implemented a range of development projects across the region, such as private sector support especially targeting female entrepreneurship, support for governance that has been used to target economic recovery and promote inclusive economic growth and support for the transparency of public finance, social inclusion and for the transparency of decision-making with particular focus on local communities.

In addition to the World Bank's 3.5 billion Euro already programmed for the period 2011-13, the EU provided around 350 million Euro to the region through the SPRING programme (Support for Partnership, Reform and Inclusive Growth) in 2011-2012. The programme targeted a number of key areas, including promoting democracy, economic growth, job creation, microfinance and higher education. Furthermore, the Deauville Partnership was launched during the May 2011 G8 Summit in Deauville by France with the aim of targeting economic stabilisation, job creation, enhancing participation and governance, and regional economic integration. The EU has also contributed by deepening the trade opportunities in the Arab region. The European Council approved negotiating directives for Deep and Comprehensive Free Trade Agreements (DCFTAs) with Morocco, Jordan, Egypt and Tunisia (Archick and Mix, 2013; EC, 2012; Wouters and Duquet, 2013). The EU Commission has launched a programme called ENPARD that aims to improve agricultural productivity in the region. These incentives have been criticised for their lengthy and acrimonious negotiations and mobility partnerships. More urgent action is required. For instance, stronger efforts could be put into realising EU support on trade (especially for agricultural products) and mobility. Greater progress on these issues would help the region and also contribute to growth in Europe (Fernández and Behr, 2013).

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