Income Distribution and Poverty in Arab Countries

By

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The Different Dimensions of Poverty in the Region

- Poverty is Multidimensional
- Income poverty and other dimensions
- The various dimensions are correlated, with strong causal relationships
- We start with some non-money-metric measures such as health and educational indicators. There are longer time series data available on such indicators and hence present the possibility of a longer term historical perspective.
A Historical Overview

• By the middle of the 20th Century the MENA region was one of the most backward regions in terms of health indicators such as life expectancy, child and maternal mortality and educational indicators such as literacy, means years of schooling, enrolment rates, etc.

• This was true both in absolute terms and relative to the per capita incomes prevailing in the MENA countries. Hence poverty is likely to have been much more prevalent than measured by money-metric measures (See e.g., Figures, 1 and 2).
A Historical Overview

• Apart from highlighting the non-monetary dimensions of poverty, these figures also indicate that as late as the 1960s, the level of human capital development was not commensurate with the per capita income levels attained in the region.

• Identifying some of the historical causes of this situation can help understand human development in the region in the later years.
A Historical Overview

- One cause often mentioned is the effect of colonial rule. This may have played some role in some countries, but cannot be the main reason. In the case of countries such as Iran and Turkey it is clearly not applicable. Comparison with South Korea shows there may be other more important internal reasons.

- It should be noted that at the time more than seventy per cent of the population in the region lived in rural areas. Historically urban areas have been centres of culture, education, and the ‘good life’.

- In more modern times these historical tendencies were reinforced by the logic of agrarian relations.

- Comparison of agricultural labour / land ratio between MENA and East Asia helps highlight this (Figures 3, 4).

- The need to tie labour to rural agricultural activities by the landlords may help explain the alliance between the landlords and the clergy to block the spread of modern mass education in much of the 20th century.
A Historical Overview

- A corollary of this is that the cost of provision is higher in MENA type economies than in East Asia.
- This explains one of the peculiarities of the dynamics of social development in the MENA region, not shared by other regions – namely the close association between change in urbanization and change in social development. Figure 5
- With the land reform programmes, rapid growth of investment in urban areas propelled by oil revenues, and rapid urbanization a new era of social development was ushered in the region.
Achievements and Setbacks

• The momentum of social development
• **Average trends** in Health and Education Indicators
• Trends in Health indicators in **individual countries**
• Trends in **Education** indicators in individual countries
Income Distribution and Poverty: Towards an Inclusive Growth Paradigm

- Income distribution in international context
- Iran and Egypt; The boundary countries
- Other experiences; Jordan, Morocco, Tunisia and Turkey
- International Poverty Curve
- Absolute poverty in the MENA region in an international perspective
- Measurement problems and the distribution and growth debate
- The assumption of independence of income Distribution and growth
Figure 1 - Mean Years of Schooling

Figure 1, Mean Years of Schooling MENA and East Asia
1960s

* Other Developing  ○ MENA  □ East Asia
Figure 2 - Mortality

Under 5 mortality rate (per 1000 live births), 1960s

- Other Developing
- East Asia
- MENA
Figure 3 - Agricultural Land / Labour MENA and East Asia

Agricultural Labour / Land Ratio in MENA and East Asia, 1965

- MENA
- MENA Excluding Egypt
- East Asia
Figure 4 - Agricultural Land / Labour
Iran and South Korea

Agricultural Labour / Land Ratio in Iran and Korea, 1965

<table>
<thead>
<tr>
<th></th>
<th>Iran</th>
<th>South Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons per 000 ha arable land</td>
<td>282</td>
<td>2510</td>
</tr>
</tbody>
</table>
Figure 5 – Urbanization and Social Development

Change in Illiteracy against change in Urbanization, 1970 to 2001

Percentage change in the share of urban population

Percentage change in illiteracy rate

Other Countries  MENA  MENA Trend

Morocco
Figure 6 – Average Mortality trends

Under 5 mortality rate (per 1000 live births), 1990s and Average MENA, 1960-2005

Per capita GDP, ppp (1995 prices)
Figure 7 Average literacy trends
Figure 8 – Mortality trends in selected countries

Trends in under-5 mortality rate in selected MENA countries, 1960-2005
Figure 9 – Literacy trends in selected countries

Adult Iliteracy Rates in selected MENA countries 1970-2004

Per cent

Year

Country
Algeria
Egypt
Iran
Morocco
Jordan
Syrian
Tunisia
Turkey
Lebanon
Libya
Yemen, Rep.
1. Income Distribution

Figure 1. Gini Coefficients of per capita Consumption Expenditure, MENA, Africa and Asia
2. Egypt and Iran
Figure 5 Income Distribution in Morocco
Figure 13 – Income Distribution in Tunisia

Figure 3. Gini Coefficients of per capita Consumption Expenditure, Tunisia
Figure 14 – Income Distribution in Jordan

Figure 6. Gini Coefficients of per capita Consumption Expenditure, Jordan

Per cent


Egypt Jordan Iran
Figure 15 – Income Distribution in Turkey
Table 16, Income Distribution in Yemen

Figure 7. Gini Coefficients of per capita Consumption Expenditure, Morocco
Figure 16 - International Poverty Curve
Poverty Curve. \( c/z > 2.5 \)

Figure 9, Global Poverty Curve
(below 20% sample)

\[ y = -1.6541x + 18.725 \]
\[ R^2 = 0.2485 \]
Figure 17 - Percent of population living below $2 a day in MENA countries
Figure 21, Poverty in MENA

Poverty Curve and Poverty Headcount Poverty in MENA
Survey based vs National accounts consistent estimates

Per capita consumption expenditure / z

Headcount Poverty %

Other Countries

$2 Survey based

Fitted curve
Figure 18 – Poverty trends in Egypt
Figure 19 – Poverty Trends in Morocco

Figure 13, Poverty Trends in Morocco, 1984-2007
Figure 20 – Poverty Trends in Jordan
**Figure 20 – Poverty Trends in Iran**
Figure 21 – Poverty Trends in Yemen

Figure 16, Poverty Trends in Yemen, 1998-2005

- $2.75 a day
- $2 a day
- $1.25 a day
Fig 25. Turkey

Figure 15. Poverty Trends in Turkey, 1987-2008
Table 2  Consumption shares of the lowest two deciles in the MENA region

<table>
<thead>
<tr>
<th>Country</th>
<th>Lowest 10%</th>
<th>Lowest 20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria, 1995</td>
<td>2.87</td>
<td>6.97</td>
</tr>
<tr>
<td>Egypt, 2008</td>
<td>3.96</td>
<td>9.24</td>
</tr>
<tr>
<td>Iran, 2005</td>
<td>2.62</td>
<td>6.43</td>
</tr>
<tr>
<td>Iraq, 2006</td>
<td>3.79</td>
<td>8.7</td>
</tr>
<tr>
<td>Jordan, 2010</td>
<td>3.36</td>
<td>7.71</td>
</tr>
<tr>
<td>Morocco, 2007</td>
<td>2.66</td>
<td>6.52</td>
</tr>
<tr>
<td>Syria, 2004</td>
<td>3.36</td>
<td>7.68</td>
</tr>
<tr>
<td>Tunisia, 2005</td>
<td>2.42</td>
<td>5.92</td>
</tr>
<tr>
<td>Turkey, 2008</td>
<td>2.11</td>
<td>5.7</td>
</tr>
<tr>
<td>Yemen, 2005</td>
<td>2.91</td>
<td>7.18</td>
</tr>
<tr>
<td>West Bank &amp; Gaza</td>
<td>3.19</td>
<td>7.44</td>
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</tbody>
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