10 REDUCED INEQUALITIES

SDG 10

Reduce inequality within and among countries

A. Introduction

The Arab region is the most unequal worldwide in terms of income distribution,[1] with significant divides along class, gender and subnational lines. Economic inequality has several causes, including rent-heavy economic structures that fail to spur inclusive growth, high rates of unemployment, regressive tax systems and long-running conflicts. Social inequalities emerging from discriminatory laws, norms and practices, relatively weak rule of law and limited civic space to advocate for social justice also contribute to inequalities of opportunity that leave millions of people behind.

Inequality is a cross-cutting issue constraining the realization of each SDG. Inequities contribute to the region's high rates of poverty (SDG 1) and food insecurity (SDG 2), differential outcomes in health (SDG 3) and education (SDG 4), and variable access to basic services such as clean water and sanitation (SDG 6), clean and affordable energy (SDG 7), and safe and affordable housing and transportation (SDG 11). Additionally, inequality is shaped by gender divides (SDG 5), unevenly distributed benefits from economic growth (SDG 8), environmental factors (SDGs 12, 13, 14 and 15), and institutions that fail to ensure participatory governance and protect individuals and vulnerable groups from discrimination (SDG 16).

Based on current trends, **the region is decidedly off track in achieving SDG 10 "Reduced inequalities"**. Reducing inequality will require Arab countries to reassert the role of the State as the guarantor of economic and social rights through policies to promote pro-poor growth, effectively tax and redistribute wealth, and protect the rights of all people.

Recent crises including the COVID-19 pandemic, the 2022 escalation of the war in Ukraine and the global acceleration of inflation have had varying impacts across the region's population. As in many other regions, high exposure to risk and relatively weak safety nets have led to vulnerable groups disproportionately bearing the brunt of these crises, contributing to widening gaps between the richest and poorest people. The most vulnerable have been much more likely to lose their jobs, have difficulty accessing critical health care, experience food security or face disruptions to education as a result of these crises. Between 2020 and 2023, nearly 28 million people in the region are estimated to have fallen into poverty according to national definitions. In contrast, the region's millionaires saw the value of their assets grow by 44 per cent between 2019 and 2020.

Source: ESCWA and others, 2023; ESCWA, 2022b.

What the data say

Data included in this section are from the ESCWA Arab SDG Monitor, unless otherwise indicated (accessed in December 2023).

In terms of wealth distribution, 6 of the 20 most unequal countries globally are in the region,[2] and recent events have only exacerbated disparities. While the average person in the region has seen their wealth decline by approximately 28 per cent between 2019 and 2020, millionaires saw their collective wealth grow by 44 per cent, from $1.28 trillion to $1.85 trillion.[3] While 70,000 individuals in the region became millionaires between 2019 and 2021,[4] some 29 million fell below the international extreme poverty line of $2.15 per day.[5]

Estimates of women's share of national income put the region well behind global averages, reflecting continued gender gaps in wages and labour force participation. While 35.1 per cent of income accrues to women globally, no country in the Arab region achieves this level of distribution. In 15 countries, women earn 15 per cent or less of total labour income (see table 10.1).[6]

The region continues to be a prominent locus for international **migration and forced displacement,** as a place of origin, transit and destination. It hosts nearly 41.4 million migrants[7] (including 9.4 million refugees) who constitute 15 per cent of all international migrants worldwide.[8,9]

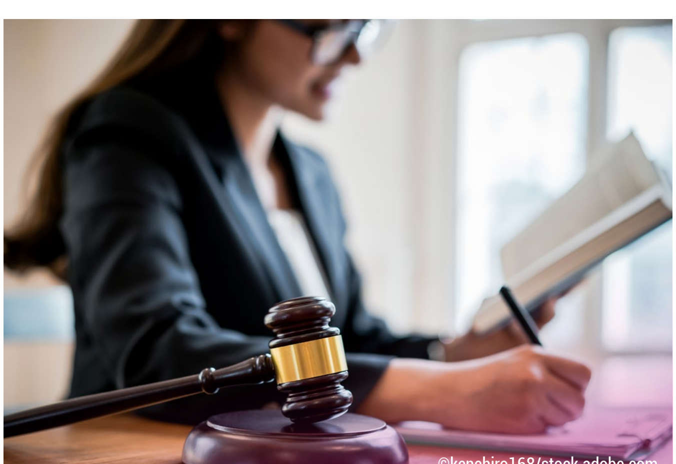
Since 2010, the region has experienced a dramatic increase in displacement and forced migration. Consequently, the **number of refugees per 100,000 people** has exploded from 816 to 1,914, nearly quintuple the global average. The region hosts more than a quarter of all refugees in the world and is the source of more than 40 per cent of all refugees globally.

Regionally, there is a dearth of officially published data on inequality. Most countries do not collect or publish information on income and wealth distribution, discrimination or the redistributive impacts of public policies. Available data on many SDG indicators omit critical information for understanding inequality, including data on income and wealth distribution by sex, age, disability status, national origin, ethnicity, employment, geographical location and other relevant factors. This lack of data reflects insufficient policy attention to inequality and poses a significant obstacle to understanding the scope of cross-cutting inequalities within the region, developing evidence-based approaches to reducing inequalities, and evaluating the effectiveness and efficiency of existing measures.

Table 10.1
Female labour income share (Percentage)

Algeria	12.5	**Lebanon**	21.7	**Somalia**	8.0
Bahrain	12.9	**Libya**	24.7	**Sudan**	14.7
Comoros	24.9	**Mauritania**	15.8	**Syrian Arab Republic**	13.5
Djibouti	30.6	**Morocco**	13.8	**Tunisia**	19.5
Egypt	15.0	**Oman**	8.6	**United Arab Emirates**	10.5
Iraq	6.4	**State of Palestine**	12.5	**Yemen**	1.0
Jordan	11.1	**Qatar**	8.0	**World**	35.1
Kuwait	15.6	**Saudi Arabia**	6.7		

Source: According to estimates from the World Inequality Database, accessed on 15 July 2023.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For an up-to-date view of SDG 10 data at the national and regional levels and an analysis of data availability, please refer to the ESCWA Arab SDG Monitor.

On the road to 2030 – suggested policy approaches to accelerate progress on SDG 10

- Institute transparent and participatory policymaking processes to embed equity considerations into sector plans and programmes, and address the needs of those left behind by the status quo.
- Enact and enforce measures to guarantee equal political, social and economic rights, including through enhanced protection against discrimination and policy measures to ensure such rights are enjoyed by all people in the region.
- Amend tax policies to ensure sustainable and equitable means to finance public services and investments, including through measures to increase the progressivity of tax systems and strengthen the redistributive role of the State.
- Increase and enhance the efficiency of social expenditures to advance equality of opportunity for all, with particular attention to the differentiated needs of those at risk of being left behind.
- Bolster accountability mechanisms and institutional transparency to allow greater public scrutiny of public entities and enhanced monitoring of results.
- Strengthen judicial independence and enact reforms to facilitate access to justice for marginalized groups to encourage equitable treatment of all and offer pathways to address grievances when rights are not adequately fulfilled.
- Adopt policies to facilitate safe, orderly and regular migration, and strengthen intraregional and interregional cooperation on migration (in particular, for emergency situations).
- Guarantee the human and labour rights of migrants and ensure their access to basic services through legislative action, increased enforcement of protections and expanded access to enforcement mechanisms to respond to abuses.
- Invest in data collection and expand data disaggregation to track inequalities according to sex, age, disability status, migratory status, race, ethnicity, geographical location and other relevant characteristics, and to support evidence-based policy development.

B. The policy landscape for SDG 10

Achieving equality will require countries to enhance pro-poor macroeconomic planning and carefully design policies based on a sound understanding of specific obstacles faced by different groups in particular policy areas. Globally, involving marginalized and vulnerable groups in policy processes has proven critical to devising solutions that meet their needs.

In the Arab region, a variety of factors related to personal characteristics, such as household income, social class, religion, race, ethnicity, native language, national origin, gender, age, geographical location and others, impact individuals' and communities' access to opportunities. Disparities are evident in differential access to quality social services, patterns of intergenerational wealth transfer, the varying strengths of interpersonal networks and discriminatory practices rooted in law or social norms. **Inequalities are frequently intersectional**, resulting in individuals experiencing compounding effects as a result of belonging to multiple disadvantaged groups.

Many of the Arab region's shortcomings in reducing inequalities are closely tied to deficiencies in achieving SDG 16 (Peace, justice and strong institutions). In addition to various conflicts and crises impacting the region, deficits in the responsiveness and transparency of State institutions, high levels of corruption, and limitations on freedom of expression amid a trend towards shrinking civic space have contributed to deepening or reinforcing inequalities and limiting opportunities to effectively challenge their root causes.

As such, the region's ability to achieve SDG 10 will be closely linked to progress on SDG 16. For example, increasing transparency and accountability, eliminating corruption and adopting inclusive governance approaches are vital to establishing a level playing field and ensuring policies serve the public interest. Strengthening the rule of law, access to justice and freedom of expression is vital for advancing equality for disadvantaged communities and rectifying exclusion and marginalization.

This chapter largely focuses on fiscal dimensions of inequality as well as on migration. The chapter on SDG 16 provides a fuller picture of institutional factors that contribute to inequality and shape prospects for change.

While acknowledging the many dimensions of inequality in the region, and given the relative scarcity of data on SDG 10 targets, **this chapter primarily focuses on two policy areas relevant to achieving SDG 10 – fiscal and wage policies (SDG target 10.4) and the adoption of responsible and well-managed migration policies (SDG target 10.7)**. While each of these are important components of advancing equality, they must be considered alongside interventions across policy areas to ensure inclusive and equitable development for all.

Accordingly, it is recommended to read this chapter alongside chapters on SDG 1 (No poverty, focusing on social protection and expenditures) and SDG 8 (Decent work and economic growth). In other chapters, the (policies to leave no one behind) sections provide further information on the many manifestations of inequality in the Arab region and identify measures that countries are taking to address inequalities of outcome and opportunity.

Several common trends can be observed in Arab countries' efforts to reduce inequalities, which transcend income levels and geographic subgroupings.

Constitutional protections

Constitutions across the region include guarantees of equal rights and protection against discrimination based on several characteristics. Many Arab countries have signed international conventions to uphold the rights of vulnerable populations. Although constitutional provisions vary in scope, the following characteristics are most frequently offered specific protections:

- Gender (16 constitutions)
- Race (16 constitutions)
- Religion (16 constitutions)
- Disability status (6 constitutions)
- Political belief (6 constitutions)

Most countries have further ratified landmark human rights conventions such as the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW – 20 countries), the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD – 22 countries) and the Convention on the Rights of Persons with Disabilities (CRPD –21 countries).

Constitutional guarantees have proven insufficient to eliminate discriminatory practices and ensure social and economic rights. While anti-discrimination laws exist in some countries, in many cases, they lack robust enforcement. Persistent discrimination can be attributed to prevailing cultural attitudes, a general absence of engagement with concerned communities during the policy design process, and insufficient financial resources and data to support implementation.

Fiscal policies

Tax rates are generally low across the region. At an estimated 8 per cent of GDP, the region's tax-to-GDP ratio is considerably below the median rates for middle- and high-income countries globally, which were 18 and 25 per cent, respectively, in 2019. Tax-to-GDP rates in the Arab countries that year stood at:

- 1.5 per cent in conflict-affected countries.
- 4 per cent in the Gulf Cooperation Council countries.
- 7 per cent in the least developed countries.
- 19 per cent in middle-income countries.[10]

Countries across the region are underutilizing the potential of taxation as a tool for income and wealth redistribution. The region has substantial room to strengthen progressive personal and corporate tax systems to finance social expenditures, support the achievement of the SDGs and reduce inequality.

Tax systems in the region generally do not have a large redistributive impact. Countries heavily rely on indirect taxes, with personal income taxes contributing a relatively small share of total tax revenue. Value-added taxes and levies on natural resource exploitation generally contribute most government finances. While this is particularly true in the Gulf Cooperation Council countries, which impose few direct taxes, income and corporate taxes also make up a relatively small share of total tax income in middle-income countries, typically not exceeding 20 per cent, and even less in the least developed countries. Although most middle-income and least developed countries have personal income taxes in place, value-added taxes typically constitute the largest source of tax revenue. In **Jordan**, they account for nearly 70 per cent of total tax revenues.[11] The Gulf Cooperation Council countries have recently introduced value-added taxes, but have few forms of direct taxation on income.

Consequently, tax systems in the region are largely regressive and impose a greater relative burden on the poor and middle class than on the rich. Although value-added tax systems include exemptions on basic goods and services, these tend to result in greater benefits for wealthier households.[12] This tendency is worsened in some cases by value-added tax exemptions on luxury goods.[13]

While official tax systems in the Arab region have had minimal impacts on the redistribution of wealth, *zakat* provides substantial funding for welfare provision. *Zakat* is an obligatory 2.5 per cent almsgiving for Muslims with savings and wealth above a minimum amount to aid specified beneficiaries. *Zakat* policy differs among countries. Payment is obligatory in **Saudi Arabia**, the **Sudan** and **Yemen**. In several other countries, contributions are voluntary, with State involvement in managing funds, while in other countries the State is not involved in the collection or distribution of funds.

While exact totals of *zakat* funds are difficult to estimate, they are significant sources of social spending globally, amounting to at least $200 billion. *Zakat* is an important element of social welfare and protection, and in some cases has been more effective in reaching vulnerable groups than State-provided assistance. Where distribution methods rely on personal and social networks, however, there are risks of leaving out certain populations and reinforcing social stratification, underscoring the importance of such funds in complementing rather than replacing State efforts.

Source: Gallien, Javed and van den Boogaard, 2023.

◆ **Social expenditures are low in the region compared to global averages and underutilized as a tool to combat inequality.** Despite comparable levels of total government spending, the region channels only 8.3 per cent of GDP to health, education and social protection, compared to a global average of 19.8 per cent. Meanwhile, Arab countries spend considerably more than the global average on consumption subsidies and military and police forces.[14] This imbalance means that public expenditures fall short of their potential to empower populations and reduce inequalities of outcome and opportunity. Instead, they reinforce the status quo of high inequalities.

Although Arab countries continue to navigate challenging fiscal situations amidst high debt levels, social expenditures remain effective investments to reduce inequality, spur social mobility and fuel economic growth. To maximize the impact of social investments, countries need to ensure that programmes are well-managed and built on a strong evidence base. For additional analysis, see the chapter on SDG 1.

Migration

◆ **As migration flows increase across the region, there is a growing consensus on the need to adopt frameworks to ensure the orderly, safe, regular and responsible migration and mobility of people**. By 2020, the region's total migrant and refugee population was estimated at nearly 41.4 million people. Increasing recognition of the need for well-managed migration policies is reflected in the wide endorsement by Arab countries of recent global frameworks on the subject:

- 19 Arab countries voted in favour of the 2018 Global Compact for Safe, Orderly and Regular Migration.
- 21 Arab countries voted in favour of the 2018 Global Compact on Refugees.

The ratification status of major international legal instruments on migration is mixed (see table 10.2).[15]

Despite recent reforms, migrants remain at an elevated risk of having their rights violated. They are often excluded from or face obstacles in accessing public services. Unfair work conditions, discrimination and patterns of exclusion deepen inequalities, including between migrants and local populations, between migrants working in different sectors, and between migrant women and men. Other chapters in this report offer insights into the challenges faced by migrants in specific policy areas.

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Data collection

Many Arab countries lack policies or legislative frameworks mandating data disaggregation by characteristics such as age, sex, disability, migratory status, income or geographic area, complicating efforts to assess the full extent of inequalities in the region.[16] Most countries do not systematically collect or publicly report information on income and wealth distribution, and the absence of disaggregated data on other indicators makes it challenging to fully understand the depth of inequalities among groups. In many cases, data collection efforts such as household surveys are conducted irregularly, depriving policymakers of (real-time) data to inform evidence-based policy measures. Consequently, it is often difficult to assess the size of inequalities within countries and the extent to which policies are addressing them – or not.

Data limitations complicate efforts to assess gender gaps, urban-rural disparities, the disadvantages faced by persons with disabilities and the well-being of migrant communities. Further, they reduce policymakers' capacities to make efficient resource allocation decisions informed by clear understandings of the needs of particular groups or areas.

C. Policy trends by subregion

Fiscal and wage policies

As called for by SDG target 10.4, fiscal policy reforms can offer pathways to increase government revenues, reduce economic inequality and finance social expenditures to bolster equality of opportunity.

Gulf Cooperation Council countries

Fiscal policies in the Gulf Cooperation Council countries have been shaped by their vast oil resources. Governments in the subregion impose minimal taxes on personal income and wealth, thereby minimizing the redistribution of resources between social classes. In recent years, the Gulf Cooperation Council countries have sought to diversify government revenues by introducing new taxes, but these are predominately indirect taxes that are not optimized for achieving a more equal distribution of wealth.

The GCC states have historically relied on their substantial oil wealth to finance government expenditures and have among the lowest tax rates and narrowest tax bases in the world, but they have recently introduced reforms to diversify revenue streams. In 2021, the hydrocarbon sector represented more than 70 per cent of total government revenues in **Bahrain, Kuwait, Oman** and **Qatar**; roughly 60 per cent in **Saudi Arabia** and nearly 50 per cent in the **United Arab Emirates**.[17] The Gulf Cooperation Council countries do not impose taxes on most personal income, nor have any implemented a wealth tax. Outside the hydrocarbon sector, corporate income tax generally applies only to foreign-owned companies. In **Oman** and the **United Arab Emirates**, corporate income tax also applies to companies owned by nationals of Gulf Cooperation Council countries. **Bahrain** does not have such a tax beyond the oil and gas sector.[18] In **Qatar** and **Saudi Arabia**, companies are mandated to pay *zakat*, with the latter also extending this obligation to individuals.[19]

Volatile energy prices and changing economic structures have prompted reforms to diversify revenue bases, largely through the introduction of consumption taxes. Taxes in the Gulf Cooperation Council countries have historically been very low but collections grew from around 2 per cent of GDP in 2017 to more than 6 per cent in 2021 following reforms.[20] Value added taxes have been the main driver of this increase following an agreement among Gulf Cooperation Council countries, adopted in 2016, to levy such taxes at a minimum rate of 5 per cent. As of April 2024, **Kuwait** and **Qatar** had not yet implemented the tax. **Bahrain** and **Saudi Arabia** had value-added tax rates of 10 and 15 per cent, respectively. Further, the Gulf Cooperation Council states have signed a Common Excise Tax Agreement applicable to sales of tobacco products, energy drinks, and carbonated and sweetened beverages, which has been implemented by all countries except **Kuwait**.[21] Despite boosting revenues, the Gulf subregion remains considerably below the global high-income country average tax-to-GDP ratio of 16.4 per cent.[22] The predominance of value-added taxes in tax revenue limits tax systems' redistributive potential.

◆ **Most Gulf Cooperation Council countries have not established universally applicable minimum wage rules.** The guarantee of minimum wages is often limited to particular sectors or to nationals (as in **Oman**[23] and **Saudi Arabia**),[24] despite expatriate workers making up more than 75 per cent of the labour force.[25] **Kuwait** and **Qatar** are the only Gulf Cooperation Council countries with minimum wages applicable to employees of all sectors and nationalities. In **Bahrain**, regulations establish a minimum wage only for nationals in the public sector.[26] The **United Arab Emirates** does not have any minimum wages, although the labour law stipulates that salaries must cover employees' basic needs.[27]

Arab middle-income countries and least developed countries

Most Arab middle-income and least developed countries[28] lack oil and gas resources compared to Gulf Cooperation Council countries and rely on taxes to finance public expenditures. Amid rising poverty rates and increased wealth concentration, tax policies have not effectively redistributed wealth, as Governments generally privilege indirect and regressive forms of taxation. Large informal sectors have limited the scope for labour and wage policies to reduce inequalities, underscoring the need for inclusive economic growth that creates decent employment opportunities for all (see the chapter on SDG 8).

◆ **Over the past decade, middle-income and least developed countries have seen total revenues as a share of GDP fall and debt levels balloon,[29] severely impacting the fiscal space available to Governments and threatening social policy agendas. Although countries have sought to reform their tax systems, revenues remain dominated by regressive indirect sources of taxation.** Most countries in this group have some form of progressive taxation in place, with the number of personal income tax brackets ranging from just 2 per cent in **Libya** to 9 per cent in the **Syrian Arab Republic**. Rates applied to top earners range from 13 per cent in **Libya** to 38 per cent in **Morocco**. In recent years, many countries have adjusted tax brackets and increased the rates applied to the highest earners, including **Egypt**, **Jordan**, **Lebanon** and **Mauritania**.[30] **Algeria** has taken a different approach, introducing progressive cuts to the personal income tax rate in 2022 in an effort to preserve residents' purchasing power amid accelerating global inflation.[31]

Despite elements of progressivity, tax systems in most Arab middle-income and least developed countries rely largely on regressive indirect taxes, such as value-added taxes, to raise the bulk of their public revenues. In most cases, personal income tax as a proportion of total revenue has not increased over the past decade, with the notable exception of **Tunisia**. Value-added taxes have recently represented 40 to 50 per cent of total tax revenues in **Egypt, Lebanon, Morocco** and **Tunisia**; 50 to 60 per cent in **Mauritania** and **Palestine**; and over 70 per cent in **Jordan**. Several countries in this group, including **Algeria, Egypt, Lebanon, Mauritania,** the **State of Palestine** and **Tunisia**, have raised their value-added tax rates in the past 10 years. Efforts to expand the tax base have often led to more low-income earners entering the tax system, thereby increasing the relative burden of taxation on the lower and middle classes.[32]

◆ **In general, increased statutory tax rates have not led to commensurate increases in revenue, pointing to underlying problems with tax compliance and administration. These challenges are common in middle-income and least developed countries, although to differing extents**. In some cases, measures to increase tax revenues have been followed by a decrease in funds raised. In **Egypt**, for example, corporate income tax revenue fell from 35 to around 25 per cent of total tax revenue between 2010 and 2019, despite increases to the general corporate income tax rate. Similarly, increased value-added tax rates in **Lebanon** and **Tunisia** were followed by decreases of the shares of such taxes in total revenue.[33]

Underlying challenges to revenue collection include high rates of tax evasion; corruption leading to a lack of transparency or uneven enforcement in the tax system; inefficiencies in tax collection; and high levels of informality, with many individuals and small businesses not participating in tax collection systems.

Corporate tax collection in Arab countries is often undermined by generous, sometimes overlapping fiscal incentives that erode the tax base without commensurate positive effects on investment. Further, illegal practices such as trade mis-invoicing and corporate tax abuse cost the region more than $80 billion annually. Middle-income, least developed and conflict-affected countries all face these challenges, with their severity depending on administrative capacity and other factors specific to country contexts.

Source: ESCWA, 2022a.

Although most middle-income and least developed countries in the region have established minimum wages, their impact on inequality is often limited. The informal sector represents a majority of employment. In the middle-income countries, it is common for 50 to 70 per cent of jobs to be informal. In many least developed countries, this figure is closer to 90 per cent.[34] As such, most workers, and especially low-wage workers, fall outside the scope of employment regulations, severely limiting the capacity for wage policies to reduce inequality. Such measures can be more impactful when paired with inclusive economic growth driven by sectors that create decent employment opportunities and incentives for businesses and individual workers to formalize.

Arab countries experiencing conflict or fragility

Like other middle-income or least developed countries in the region, Arab countries experiencing conflict or fragility[35] struggle with shrinking fiscal space and rising public debt. These countries face additional challenges, however, as these issues are compounded by acute economic decline, significantly decreased capacity to mobilize domestic resources, and the effects of destruction and violence. These issues disproportionately impact poorer populations and complicate policy efforts to address inequalities.

In many countries, crises have been accompanied by high rates of inflation and the devaluation of national currencies. Such consequences disproportionately hit poor and middle-class households, who tend to have less diversified assets and lower savings, and spend a greater proportion of their income on necessities, making them more vulnerable to price increases.[36] In **Lebanon**, a severe economic crisis gravely impacted multidimensional poverty rates, which grew from 42 to 82 per cent between 2019 and 2021.[37] In **Yemen**, due to the ongoing conflict and depreciation of the rial, food now represents more than half of all expenditures for 73 per cent of households;[38] 19 million Yemenis require food assistance and some 2.2 million children are acutely malnourished.[39] Conflict and crisis situations also deepen gender inequalities as women and girls face additional exposure to gender-based violence, higher risks of child marriage and disproportionate negative effects on their health, education and nutrition.[40]

Fractured political control and administrative challenges in conflict-affected countries impede revenue collection efforts and can give rise to parallel taxation structures that exacerbate inequalities. With tax collection representing only 1.5 per cent of GDP, countries experiencing conflict have by far the smallest tax intake in the region. Challenges to compliance are evident in countries in conflict and crisis situations globally; for example, despite on average having much higher statutory tax rates than non-fragile States, these countries have significantly lower effective tax collection.[41] In **Yemen**, tax-to-GDP ratios have fallen by nearly 75 per cent since the outbreak of conflict as enforcement and compliance have dropped drastically. Tax compliance in the service sector has fallen below 15 per cent, and the general sales tax is now effectively imposed only on imports.[42] Poor performance of direct taxation in countries experiencing conflict or fragility typically leads to more regressive tax systems, with wealthier individuals frequently having lower rates of effective taxation than the poor and middle classes.

In countries with fragmented political control, individuals may be subject to taxes imposed by competing parties, which can exacerbate vulnerability and inequality. Citizens and businesses in **Yemen** face double taxation from the north and south due to customs procedures between the zones,[43] and fees of up to 100 per cent for transferring funds into and between regions of the country.[44] Armed groups in conflict-affected countries often institute extralegal revenue collection systems in areas under their control, and engage in extortion and racketeering against already suffering populations, as has happened in **Iraq**, **Somalia** and the **Syrian Arab Republic**.[45,46]

The absence of redistribution mechanisms to ensure equitable development gains can fuel conflict. Revenue-sharing between income groups, economic classes and geographic regions is crucial to addressing and rebalancing inequities. While conflict increases inequality, the inverse can also be true as inequality can contribute to the outbreak of conflict. In deepening underlying tensions and amplifying group differences, inequality can undermine social cohesion and the stability of the State.[47] Grievances related to intergroup and interregional inequities have been core drivers of conflict or fragility across the region.

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Migration policies

Migration is an increasingly important policy area within the Arab region, although the nature of movements of people and policy responses varies. In aggregate, Arab countries host nearly 41.4 million international migrants and refugees, with the Gulf Cooperation Council countries standing out as a leading global destination for migrant labour from South and South-East Asia, Africa and elsewhere. Outbound migration is significant; 32.8 million migrants and refugees originated from the region in 2020. Approximately 14.5 million migrants and refugees from the region relocated to other Arab countries, representing more than one third of the region's total migrant population. Additionally, as poor economic conditions, political instability and insecurity push people around the world to emigrate, the region's location at the crossroads between Africa, Asia and Europe has meant that growing numbers of people traverse Arab countries en route to their destinations.

Despite the growing significance of migration, Arab countries vary in the extent to which they have adopted international legal instruments related to the issue. They have taken different approaches to extending services to migrants and refugees. Table 10.2 summarizes the adoption status of select international legal instruments related to migration in the Arab region.[48]

Table 10.2
Adoption status of select international legal instruments related to migration in the Arab region

Instrument	Adoption status
International Labour Organization (ILO) Migration for Employment Convention (1949)	Adopted by four countries (**Algeria,** the **Comoros, Morocco** and **Somalia)**
International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families (1990)	Adopted by seven countries (**Algeria,** the **Comoros, Egypt, Libya, Mauritania, Morocco** and the **Syrian Arab Republic)**
ILO Convention concerning Migrations in Abusive Conditions and the Promotion of Equality of Opportunity and Treatment of Migrant Workers (1975)	Adopted by three countries (the **Comoros, Mauritania** and **Somalia)**
ILO Convention concerning Decent Work for Domestic Workers (2011)	Not adopted by any countries
ILO Private Employment Agencies Convention (1997)	Adopted by three countries **(Algeria, Morocco** and **Somalia)**
Convention Relating to the Status of Refugees (1951) and its 1967 Protocol	Adopted by nine countries **(Algeria, Djibouti, Egypt, Mauritania, Morocco, Somalia,** the **Sudan, Tunisia** and **Yemen)**
Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children (2000), supplementing the United Nations Convention against Transnational Crime	Adopted by 20 countries **(Algeria, Bahrain,** the **Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia,** the **Sudan,** the **State of Palestine,** the **Syrian Arab Republic, Tunisia** and the **United Arab Emirates)**
Protocol against the Smuggling of Migrants by Land, Sea and Air (2000), supplementing the United Nations Convention against Transnational Crime	Adopted by 15 countries **(Algeria, Bahrain,** the **Comoros, Djibouti, Egypt, Iraq, Kuwait, Lebanon, Libya, Mauritania, Oman, Saudi Arabia,** the **Sudan,** the **Syrian Arab Republic** and **Tunisia)**
Convention Relating to the Status of Stateless Persons (1954)	Adopted by three countries **(Algeria, Libya** and **Tunisia)**

Source: Authors.

Gulf Cooperation Council countries

The Gulf Cooperation Council countries host 74 per cent of the total number of migrants and refugees in the region, most of whom are migrant workers, primarily from South Asia, South-East Asia and Africa. These countries have historically relied on migrant labour, with large numbers of expatriates employed across the economy. Migrants from outside the Gulf Cooperation Council countries made up 52 per cent of their total population in 2020.[49] They comprised more than 75 per cent of the employed labour force of each country.[50] While migrants make significant positive contributions to their communities and work in critical sectors, many face obstacles accessing services and increased risks of exploitation due to provisions of labour governance frameworks and other relevant policies.

Deep inequalities persist between nationals of Gulf Cooperation Council countries and the sizeable expatriate population, between low- and high-skilled migrant workers, and between regular and irregular migrants, who face differing barriers in accessing services such as health and education (see the chapters on SDGs 3 and 4), generally lack social protection coverage (see the chapter on SDG 1) and confront obstacles to asserting legal rights (see the chapter on SDG 16).

◆ **Increasingly, Gulf Cooperation Council countries are taking steps to improve the living conditions of migrant workers, including through legal reforms. Yet significant barriers remain to the realization of migrant rights.** Most Gulf Cooperation Council countries have launched reforms of their *kafala* (sponsorship) systems, which have historically tied workers' legal residency to their employers, who in turn may exercise extensive control over employees. Migrant workers subject to the *kafala* system are often required to seek their sponsor's permission to change jobs or travel and face difficulties in quitting employment at will. Such practices deny migrant workers their rights, institutionalize power imbalances between employees and their sponsors, and enable abuse and exploitation. Reforms have curbed such controls, increased the flexibility for migrant workers to change jobs, and strengthened government oversight powers to address abuses, although such efforts are not necessarily applied to workers in all sectors.

Qatar made substantial changes to its *kafala* system in 2020, including abolishing requirements for migrant workers to obtain an employer's permission to change jobs before the end of a contract (including for migrant workers excluded from labour law protections, such as domestic employees) and removing requirements for employer permission to travel for most migrant workers. Imbalances remain, however. Employers remain responsible for obtaining residency permits for expatriate workers and retain the right to cancel such permits, contributing to conditions ripe for abuse.[51] **Saudi Arabia** launched a labour reform initiative in 2020 that eased employer permission requirements for migrant workers covered by the labour code; however, reforms excluded certain categories of migrant workers, including domestic employees and agricultural labourers.[52] In **Bahrain**, reforms to dismantle the *kafala* system were announced in 2009, however measures were undermined by legislation requiring employees to complete a full year of service before being able to change employers.[53]

Other recent measures launched to strengthen protections for migrant workers include the introduction of standard work contracts, as in **Kuwait**, and the creation of institutions charged with identifying and supporting victims of human trafficking, such as the Expat Protection Centre of **Bahrain**.[54] Some countries have introduced social protection reforms to increase the coverage of migrant workers (see the chapter on SDG 1).

Arab middle-income countries

Arab middle-income countries[55] are, to varying extents, origins, destinations and transit points for international migrants – many of whom are refugees or asylum seekers. Although national approaches to migration vary, some commonalities in migration patterns and policy responses can be identified across geographical areas, with clear differences in these matters observed between the Mashreq and Maghreb countries.

◆ **Mashreq countries have seen their migrant and refugee populations more than double since 1990, largely as a result of protracted conflicts and forced displacement within the subregion.** Several major crises have driven displacement and migration between Mashreq countries, with three quarters of their international migrants being either Palestinian or Syrian refugees.[56] Notably, **Jordan** and **Lebanon** have the highest refugee populations per capita in the world.

Host countries have taken different approaches to extending services to refugee communities. **Egypt** legally offers refugees of all nationalities access to public health care on equal terms with citizens. In **Jordan**, registered refugees are offered health care in government hospitals at the non-insured Jordanian rate.[57] While refugees are generally able to access some education services, the conditions and quality of these services vary (see the chapter on SDG 4). Refugees face challenges in acquiring sustainable livelihood opportunities, as the issuance of legal work permits is subject to conditions and host countries often limit the occupations they are eligible to pursue.[58,59]

◆ **Maghreb countries lie at the heart of migration routes connecting Africa, Europe and Western Asia. They have experienced a notable increase in irregular transit migration in recent years.** The Maghreb hosts a relatively small number of migrants and refugees (3 per cent of the region's total) but is the site of significant transit migration between sub-Saharan Africa and Europe. Given the subregion's significant emigration trends, expatriate and diaspora governance has received heightened attention. The Maghreb countries participate in the 5+5 Dialogue to promote cooperation with European partners on a host of issues, including migration, and have increased border control efforts in collaboration with European Union partners. The 2020 session of the dialogue resulted in an agreement on the need to better understand migration trends, facilitate mobility and regular migration, and enhance coordination to address irregular migration and exploitation of migrants.[60]

Arab least developed countries and countries experiencing conflict or fragility

Although they are not generally destination countries for international migrants, Arab least developed countries and countries experiencing conflict or fragility[61] are major migration origin countries as large numbers of people seek safety or economic opportunity. Several are also transit countries due to their locations along important international migration routes. Nearly three fourths of migrants and refugees in the least developed countries come from non-Arab African countries.[62]

◆ **Several countries have recently strengthened measures to combat human trafficking and the smuggling of migrants**. These include the restructuring and expansion of the anti-trafficking directorate in **Iraq** and the launch of anti-trafficking measures (including action plans and legislation) in the **Comoros, Iraq, Mauritania** and the **Sudan**.

◆ **Refugee return is another significant policy area for countries emerging from conflict, although approaches vary significantly.** For example, **Somalia** established an Internally Displaced Persons and Refugee-Returnee Policy in 2019 to facilitate the reintegration of such persons into mainstream life by establishing a framework for protecting their rights and providing them with assistance. Measures within the national social protection policy and land and housing policies specifically seek to address the needs of internally displaced persons and refugee-returnees. The Durable Solutions Secretariat of the Ministry of Planning support the development of policies targeting internally displaced persons, returned Somalis, and refugees and asylum seekers. In the **Syrian Arab Republic**, Cabinet Decision 46 (2020) requires Syrian citizens and Palestinian refugees previously resident in the country to exchange $100 to Syrian pounds at official exchange rates at the border before being allowed reentry into the territory. For Palestinians seeking to return to refugee camps, registration is limited to former residents with proof of ownership of a structurally sound house within camp boundaries.[63]

Arab countries are both recipients and sources of international remittance flows

Overall, the region received $57.9 billion in remittance inflows in 2020, 8 per cent of the global total, and a sum significantly above its foreign direct investment and official development assistance receipts. Remittance inflows are especially significant in the Mashreq countries, which receive 75 per cent of the region's remittance inflows, although the scale of received remittances varies substantially across countries. While remittance inflows amount to 2.1 per cent of regional GDP, such funds totalled more than 14 per cent of GDP in the **Comoros** and **Lebanon**.

The Gulf Cooperation Council countries are a major source of global remittances. In 2019, they accounted for 95 per cent of the nearly $120 billion in remittances sent from the region and nearly 25 per cent of all global remittance outflows.

In 2020, the cost of sending remittances to the region was estimated at 6.58 per cent. While this was more or less in line with the global average, it remains far above the 3 per cent fee target set by SDG target 10.3. Factors driving high fees include inconsistent data formats for cross-border payments, complex compliance requirements aimed at reducing illicit financial flows, limited operating hours, outdated technology platforms, long transaction chains and weak competition.

Source: ESCWA, IOM and UNHCR, 2022.

D. Policies to leave no one behind

Tackling inequality in the Arab region will require steps to address both vertical inequalities (primarily relating to distributional issues between individuals and households) and horizontal inequalities (pertaining to differences among demographic groups). To sustainably reduce inequality, countries will need to adopt wide-ranging policies to enhance the quality of governance and foster macroeconomic conditions for broad-based growth. They will need to enact redistributive fiscal policies to ensure that the fruits of progress are equitably shared.

Policies also need to respond to the causes of marginalization and address the differentiated needs of specific groups at risk of being left behind. Depending on the issue, within the region, such groups frequently include women and girls; children and youth; older persons; persons with disabilities; migrants, refugees and internally displaced persons; residents of rural areas; and the economically disempowered.

As a cross-cutting issue, addressing inequality lies at the heart of the 2030 Agenda's call to leave no one behind. Although work remains to be done to adequately address the root causes of marginalization and close gaps caused by overlapping inequalities, measures to bridge these divides are observable in every SDG policy area. Examples relevant to each goal can be found in the corresponding chapters of this report.

E. The financing landscape

Against a backdrop of rising poverty and inequality, the pace of wealth accumulation and concentration among the wealthiest individuals in the Arab region has accelerated since the onset of the COVID-19 pandemic. In 2019, the wealthiest 10 per cent of people controlled an estimated 75 per cent of the region's wealth, a share that climbed to 81 per cent by the end of 2020. The same period saw the wealth of the poorest half of the population fall by roughly one third.[64] By the end of 2022, the richest 1 per cent of adults held an estimated 44.7 per cent of total wealth while the poorest 50 per cent had a combined total of just 3.2 per cent.[65] Few policy measures have been introduced to respond to the increasing concentration of wealth in the region. Efforts to implement wealth taxes have been limited and primarily focused on real property. The scope of such taxes is usually minimal, sometimes only applying to the transfer of property ownership and frequently subject to exemptions. Further hurdles include out-of-date property valuations, and fragmented land governance and property tax administration that challenge enforcement and compliance. Within the region, **Algeria** has gone the furthest in efforts to institute a wealth tax that applies to personal assets, including real estate holdings, vehicles, artwork and stocks in companies principally engaged in wealth management.[66]

In addition to implementing reforms to make tax systems more progressive, Arab countries can improve the equity of revenue collection and raise significant resources for sustainable development financing by tackling tax leakages and evasion. Further analysis of tax abuse, illicit financial flows, trade mis-invoicing, and other leakages are in the chapter on SDG 16.

This policy shift has been frustrated by a lack of quality data on the size and composition of private fortunes, resulting in low revenue collection, although measures have been taken to digitally compile such information and strengthen tax authorities' capacities to evaluate this information.[67]

Efforts to tax wealth in other regions have also encountered challenges in identifying those subject to such levies and calculating the value of their taxable assets. Lobbying efforts have often resulted in significant exemptions from such taxes, and many wealth holders have avoided payment by transferring assets to jurisdictions with lower tax rates. Overcoming these challenges, however, could significantly contribute to reducing inequalities. Strategies to effectively tax the income generated by wealth and its transfer between generations have potential to yield substantial revenues for social expenditures.[68]

Analyses of wealth concentration and poverty have underscored the potential that even modest rates of taxation on property and wealth could have in financing measures to eliminate income poverty. In 2019, it was estimated that the richest 10 per cent of the population in the Arab region held $4.4 trillion in wealth, whereas the cost of closing the income poverty gap using nationally defined poverty lines stood at roughly $38.6 billion. At the regional level, there is great potential for wealth taxes to mobilize the resources needed to close the income poverty gap. At the national level, wealth taxes could be an effective tool for reducing inequality in middle-income countries, although significantly less so in the least developed countries.[69]

The richest 10 per cent of people in the Arab region held $4.4 trillion in wealth in 2019…

while the combined income poverty gap in the middle-income and least developed countries was estimated to be **$38.6 billion**…

suggesting that a **0.9 per cent** wealth tax at the regional level could mobilize sufficient resources to close the income poverty gap.

In the Arab middle-income countries, the richest 10 per cent of people held $1.3 trillion in wealth in 2020…

while the cost to close the income poverty gap was estimated to be **$15.6 billion**…

indicating that the average rate of wealth taxation needed to close the income poverty gap was just **1.2 per cent**.

However, in the Arab least developed countries and the Syrian Arab Republic, the richest 10 per cent of people held $66.8 billion in wealth in 2020…

while the cost to close the income poverty gap was estimated to be **$29.5 billion**…

implying that the national wealth tax needed to close the income poverty gap would **exceed 44.1 per cent**, underscoring the need for sustained economic growth and increased international support to raise resources to eradicate poverty.

F. Regional dimensions

National actions to achieve SDG 10 can be complemented by regional cooperation to reduce inequalities. Regional actions based on solidarity and common approaches to problems requiring international coordination can help to achieve greater equality within and among countries. Examples of possible actions include:

Financing

- **Strengthening cooperation on tax policy and combatting illicit financial flows:** an estimated $7.5 billion in annual tax revenues are lost in the region due to corporate tax abuse. Tackling issues such as tax evasion, avoidance and competition requires international cooperation, as cross-border tax evasion and planning have hindered authorities' capacities to enforce policies. Countries can work together to combat tax evasion, coordinate tax incentives, improve tax certainty and resolve disputes. While international momentum has recently emerged around international tax cooperation (as through the OECD Inclusive Framework on Base Erosion and Profit Shifting), countries considering such agreements should ensure that they fairly and effectively address their needs, while advancing the necessary legislative and policy reforms to reduce tax competition and tax avoidance.[70]

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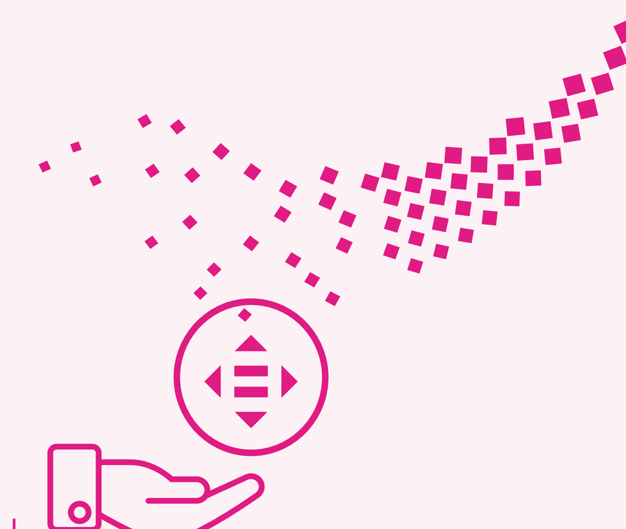
Migration

- **Deepening cooperation on migration and refugee affairs:** as major origin, transit and destination points for migrants and refugees, Arab countries have a pressing need to promote a common understanding of the causes, dimensions, patterns and effects of migration in the region. In 2015, the League of Arab States launched the Regional Consultative Process on Migration and Refugee Affairs to meet this goal, with thematic focuses including migration management, brain drain, irregular migration, forced migration, remittances and the protection of migrant rights.[71]

  Other processes, including regional reviews of the Global Compact for Safe, Orderly and Regular Migration in the Arab Region, have highlighted further opportunities for international cooperation, including bilateral and multilateral work on data and experience-sharing, border management, labour migration, the portability of social protection coverage and financial backing for efforts to improve migration management.[72]



Endnotes

1. ESCWA, 2022c.
2. ESCWA, 2022d.
3. Ibid.
4. ESCWA, 2023c.
5. ESCWA, forthcoming.
6. Ibid.
7. The term “refugee” is defined by international law as people requiring international protection and living outside their country of origin because of feared persecution, conflict, violence or other circumstances. The term “migrant” does not have an internationally accepted definition. As used here, the term refers to any person residing (permanently or temporarily) outside their country of origin, for any reason.
8. ESCWA, IOM and UNHCR, 2022.
9. See the UNHCR Refugee Data Finder, accessed on 19 January 2024.
10. ESCWA, 2022e.
11. Ibid.
12. IMF, 2022.
13. ESCWA, 2022e.
14. ESCWA, UNDP and UNICEF, 2022.
15. ESCWA, IOM and UNHCR, 2022.
16. According to national self-assessments reported in the ESCWA Arab SDG Monitor, 9 of 16 respondent countries have provisions in their national statistical law referring to data disaggregated by specific groups or characteristics such as age, sex, disability, migratory status, race, ethnicity, income or geographic area.
17. World Bank, 2021.
18. Information on corporate and individual tax rates was derived from the PWC Worldwide Tax Summaries.
19. IMF, 2016.
20. PWC, 2022.
21. Information on value added and excise tax rates was derived from the PWC Worldwide Tax Summaries.
22. See the World Bank Data Bank on Tax Revenue (% of GDP) – High Income Countries.
23. ILO, 2019a.
24. Saudi Gazette, 2021, accessed on 4 May 2023.
25. See GCC Stat on Labour Statistics in the GCC Countries, first quarter 2022, accessed on 4 May 2023.
26. ILO, 2019a.
27. The United Arab Emirates, the United Arab Emirates’ Government portal.
28. In this analysis, middle-income and least developed countries include Algeria, the Comoros, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Mauritania, Morocco, Somalia, the State of Palestine, the Sudan, Tunisia and Yemen.
29. ESCWA, 2022e.
30. Ibid.
31. Journal Officiel de la République Algérienne Démocratique et Populaire, 30 décembre 2021.
32. ESCWA, 2022e.
33. Ibid.
34. Data from ILOStat, Indicator 8.3.1, Proportion of Informal Employment in Total Employment by Sex and Sector.
35. In this analysis, countries experiencing conflict or fragility include Iraq, Lebanon, Libya, the State of Palestine, Somalia, the Sudan, the Syrian Arab Republic and Yemen.
36. Gill and Nagle, 2022.
37. ESCWA, 2021b.
38. Joint SDF Fund and others, 2023.
39. FAO, UNICEF and WFP, 2022.
40. ESCWA, 2019.
41. OECD, 2021a.
42. OECD, 2021b.
43. SEMC, 2021.
44. Al-Akhali, 2021.
45. European Parliament, Directorate-General for External Policies, 2017.
46. Bahadur, 2022.
47. ESCWA, 2023b.
48. ESCWA, IOM and UNHCR, 2022.
49. Gulf Research Center, Percentage of Nationals and Non-nationals in Gulf Populations (2020).
50. Gulf Research Center, Percentage of Nationals and Non-nationals in GCC Countries’ Employed Populations (2020).
51. Human Rights Watch, 2020.

52. ESCWA, IOM and UNHCR, 2022.
53. Migrant Forum in Asia, 2012.
54. See the Expat Protection Center.
55. In this analysis, middle-income countries include Algeria, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, the State of Palestine and Tunisia. Maghreb countries include Algeria, Libya, Mauritania, Morocco and Tunisia. Mashreq countries include Egypt, Iraq, Jordan, Lebanon, the State of Palestine and the Syrian Arab Republic.
56. According to the Situation Report on International Migration 2021, the Mashreq region hosts 7.2 million migrants and refugees. UNHCR reports that 3.5 million Palestinian refugees are in Egypt, Iraq, Jordan, Lebanon and the Syrian Arab Republic, and 1.9 million Syrian refugees are in Egypt, Iraq, Jordan and Lebanon.
57. UNHCR, n.d.
58. ILO and UNHCR, 2018.
59. ILO, 2014.
60. ESCWA, IOM and UNHCR, 2022.
61. In this analysis, least developed countries and countries experiencing conflict or fragility include the Comoros, Djibouti, Iraq, Lebanon, Libya, Mauritania, Somalia, the State of Palestine, the Sudan, the Syrian Arab Republic, and Yemen.
62. ESCWA, IOM and UNHCR, 2022.
63. Ibid.
64. ESCWA, 2022d.
65. ESCWA, 2023a.
66. Algeria, 2022.
67. Algerie Eco, 2022.
68. Brumby and Keen, 2018.
69. ESCWA, 2020.
70. ESCWA, 2021a.
71. See more on the IOM Arab Regional Consultative Process on Migration and Refugee Affairs.
72. ESCWA and others, 2021.

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