8 DECENT WORK AND ECONOMIC GROWTH

SDG 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

A. Introduction

The Arab region is not on track to achieve SDG 8. It is losing ground or stagnating on several key indicators. Countries have struggled to overcome long-standing challenges to igniting economic growth, increasing labour productivity and creating decent work opportunities. Structural weaknesses include the rentier nature of most economies, a lack of diversification, weak integration into international value chains and outdated market regulations. As a result of these challenges, the Arab region has long had the highest unemployment rates in the world, stunting progress on SDG 8. Patterns of low growth benefiting relatively narrow portions of the population and high unemployment rates have severely impacted the achievement of other goals, constraining efforts to end poverty (SDG 1) and reduce inequality (SDG 10), and limiting investment in key sectors.

Countries have enacted policies to diversify their economies and improve economic performance and competitiveness. Yet they have made little progress in realizing transformative shifts towards innovative, productive economies that create decent work opportunities for all.

A succession of global crises over the past four years has battered the region's chronically challenged economies. The region was ill-prepared to weather the sharp economic slowdown and inflationary pressures emerging from the COVID-19 pandemic, the war in Ukraine, and instability in global energy, food and raw materials markets. Impacts have not been uniform, however.

- Gulf Cooperation Council countries have largely benefited from energy price hikes, which generated significant windfalls and high rates of growth. Government interventions have kept inflation significantly below world and regional averages.
- The rest of the region has suffered serious economic fallout. Many countries have not yet recovered in terms of real GDP per capita. Most countries have experienced some combination of debt crisis, currency depreciation, reduction of price supports, widening trade imbalances and political instability or conflict. These factors have significantly weighed on economic recovery and increased the cost of living.
- At the same time, net ODA inflows into the region fell by 5 per cent between 2020 and 2022. Least developed and conflict-affected countries experienced the sharpest declines, and saw their combined net ODA inflows fall by 18.4 per cent during this period.

Source: IMF, 2023; OECD Stat, "Aid (ODA) disbursements to countries and regions [DAC2a]," accessed on 18 April 2024.

What the data say

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

Available SDG 8 data illustrate deep challenges in spurring growth and creating decent work opportunities in the Arab region.

Since 2015, real GDP per capita has fallen at the regional level. Between slow rates of annual growth, major setbacks during the COVID-19 pandemic, and rising inflation, real GDP per capita fell by 3.7 between 2015 and 2022. At the global level, real GDP per capita grew by more than 10 per cent during this same period.

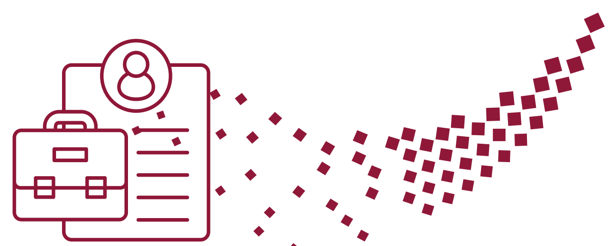
Real labour productivity growth stagnated between 2015 and 2022 as slow increases were erased by steep declines during the COVID-19 pandemic, resulting in a gain of just 1 per cent during this period at the regional level. In contrast, worldwide real labour productivity grew by 11.8 per cent during this period.

The region has the highest **unemployment rate** in the world, at 10.7 per cent in 2023 compared to 5.8 per cent globally. This has been a long-standing issue; regional unemployment has rarely fallen below 10 per cent since 2000. The situation is even more dire for women. At 19.9 per cent, the region's **female unemployment** rate in 2022 was more than triple the global average of 5.8 per cent. **Youth unemployment** was 26.3 per cent, far exceeding the global average of 14 per cent. For young women, the rate was even higher at 41.6 per cent. At the same time, **informal employment** represents more than 62 per cent of all jobs in the region.

Further highlighting the lack of opportunities for young people, the rate of **youth not in education, employment, or training (NEET)** was 30.7 per cent in 2022. The rate has been over 30 per cent since at least 2005, exceeding the global rate of 24.5 per cent. Important gender divides are evident as 42.9 per cent of young Arab women fall into this category.

Data availability for SDG 8 is relatively good at the regional level.Macroeconomic indicators clearly point to the need to do more to achieve inclusive and sustainable growth and decent work for all. A fuller understanding of the extent to which growth and employment trends impact those most at risk of being left behind, however, requires data disaggregated by critical factors such as sex, age, sector, occupation, disability and migratory status.

For an up-to-date view of SDG 8 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 8

- Increase public and private investment in research and development (R&D) and mobilize regional and global transfers of knowledge and technology to improve innovation and competitiveness.
- Support the development of high-value sectors through strategic investment in industries that maximize job creation, boost local value chains and offer high export potential. Well-crafted incentive programmes, including special economic zones, can accelerate investment and promote international trade.

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- Decrease barriers to trade and investment to create a more enabling business environment, including by streamlining bureaucratic procedures, using technology to accelerate processes and expanding e-government service portals.
- Enact education reforms to build skills in problem solving, critical thinking and use of new technologies to ensure that graduating students are equipped to pursue decent work opportunities, including in emerging sectors of the Fourth Industrial Revolution.
- Accelerate diversification and reduce dependency on extractive sectors by investing in the green and knowledge economies and prioritizing export-oriented activities to support competitiveness and decent job creation.
- Uphold the right to unionization, facilitate tripartite dialogue, and protect the rights of migrant and domestic workers in line with the conventions of the International Labour Organization (ILO). Sustainable public procurement practices can serve as mechanisms to compel private companies to adhere to labour laws and promote gender equality.
- Facilitate women's participation in the labour force by developing and enforcing measures to dismantle discriminatory social norms, penalizing gender discrimination and criminalizing sexual harassment in the workplace, and strengthening social insurance coverage for maternity and childcare benefits.
- Stimulate economic activity in rural and remote areas, including through strategic infrastructure development, incentives for foreign and domestic investment, and increased social support to informal and agricultural workers.

B. The policy landscape on SDG 8

National strategies for growth must work in tandem with other policies to enable the socioeconomic transformation of the Arab region. To be effective, such policies must include: measures to create an enabling environment for the private sector and to implement regulatory frameworks that ensure sustainability, transparency and the public interest (SDG 16); reforms to orient education systems towards creativity, innovation and critical thinking (SDG 4); programmes to remove barriers to women's participation in the labour market (SDG 5); and investments to enhance digital infrastructure, connectivity and the use of technology (SDGs 9 and 17).

Achieving SDG 8 has a direct impact on ending poverty (SDG 1), reducing inequalities (SDG 10), and improving livelihoods and well-being (SDGs 2 and 3). To realize sustainable economic growth with a reduced environmental footprint, efforts to achieve SDG 8 must also account for effects on SDGs 12, 13, 14 and 15.

Despite diverse circumstances across countries, several common trends are evident in efforts to achieve inclusive and sustainable economic growth and decent work for all.

◆ **Most countries have attempted to diversify their economies, albeit with mixed success.** Strategies have included incentives for foreign direct investment, investments in R&D, infrastructure and skills development to support entrepreneurship and innovation, and regulatory reforms geared towards an enabling environment for the private sector. Such efforts have so far largely failed to produce desired results: cross-border outflows surpass inflows by as much as 50 per cent, R&D spending remains less than one third of the global average and domestic private investment is sluggish.[1] In the face of risks and weaknesses in the business environment, the region has struggled to stimulate long-term private sector investments to positively transform its economic trajectory. Subregional priorities for economic diversification vary.

- **Gulf Cooperation Council countries intend to reduce their heavy reliance on hydrocarbons through investments in high-innovation sectors,** including finance, technology and renewable energy. Although non-oil sectors are growing, however, hydrocarbons continue to account for more than 40 per cent of GDP in **Kuwait, Oman, Qatar** and **Saudi Arabia,** and more than 70 per cent of government revenues in all Gulf Cooperation Council countries except the **United Arab Emirates.** Hydrocarbons indirectly support much of the non-oil economic activity in these countries.[2]

- **In the middle-income countries, diversification policies to develop a more balanced economy are promoting manufacturing, services, tourism and knowledge-based industries,** and reduced reliance on extractive industries and low-skill activities.
- **In the least developed countries, diversification policies aim to reduce dependence on primary sectors** such as agriculture, fisheries and extractive activities.
- **In countries in conflict, diversification policies are oriented towards developing, rebuilding and stabilizing economies, focusing on infrastructure, reconstruction, agriculture and energy.** They include efforts to attract international aid and investment, rebuild critical infrastructure, strengthen institutional capacity, and facilitate post-conflict recovery and development.

◆ **Many countries offer generous fiscal and tax incentives to attract foreign direct investment and multinational corporations. But the benefits have fallen short of potential.** The region still falls short in attracting capital to high-value sectors. Foreign direct investment is largely insufficient, with an average of 69 per cent of inflows repatriated as passive income outside the region. Such investments disproportionately go towards capital-intensive sectors that create relatively few jobs, most notably in extractive industries.[3]

- **The most common tools to encourage foreign direct investment include free zones and tax holidays.** These have been employed extensively in the **United Arab Emirates,** which offers 50-year tax breaks through more than 40 free zones. **Saudi Arabia** is now opening special economic zones and its Special Integrated Logistics Zone. Middle-income countries commonly offer exemptions to foreign firms making eligible investments. Public procurement also serves as a tool to encourage investment. In **Saudi Arabia,** a recent policy shift states that the Government will only contract with foreign firms with a regional headquarters within the Kingdom as of January 2024.[4]
- **Many incentives are not cost-effective as they result in foregone revenues and produce market distortions.** The costs can be substantial. In **Morocco,** tax exemptions led to more than $3.5 billion in foregone public revenues.[5] Further, such incentives are only one factor considered by businesses in making international investment decisions. Despite offering more generous incentives than countries in the Association of Southeast Asian Nations, the Arab region receives lower levels of foreign direct investment.
- **Overall, foreign direct investment inflows have declined sharply since 2008, and capital outflows outpace inflows by 50 per cent.** Further, tax exemptions can drive a competitive “race to the bottom” that leads countries to continuously lower taxes and enact other conditions in a bid to attract foreign money. This cuts government revenues, limits the ability to encourage investments in line with national objectives and weakens the business environment. Poor enforcement capacity, corporate tax abuse and profit-shifting by multinational corporations already cost the region an estimated $8.6 billion annually. Incentives undercut corporate tax revenue potentials by 60 per cent on average.[6]

◆ **Many countries have policies to enhance productivity and competitiveness, unlock the potential of the private sector and create further opportunities for green industries and digital technologies.** These efforts in most cases have yet to realize their full desired effects in the face of slow growth and other challenges.

- **Innovation and digital transformation strategies have sought to channel investments towards start-ups, small and medium-sized enterprises (SMEs), upskilling programmes and productive infrastructure, often targeting strategic sectors of the Fourth Industrial Revolution.** For example, the **United Arab Emirates** National Innovation Strategy promotes R&D in advanced technology, with particular support for business in health care, renewable energy and transportation. In **Jordan,** the Innovative Start-ups and SMEs Fund provides early-stage equity finance for innovating businesses. It also hosts outreach programmes to promote entrepreneurship in underserved regions and sectors, and for groups at risk of being left behind, such as women and young people.

◆ **Governments have attempted to capitalize on transitions to greener economies** through investments in ecotourism, efficient and renewable energy (see the chapter on SDG 7), integrated waste management (see the chapter on SDG 12) and sustainable agriculture (see the chapter on SDG 2). Training programmes have built the capacities of green entrepreneurs and businesses.

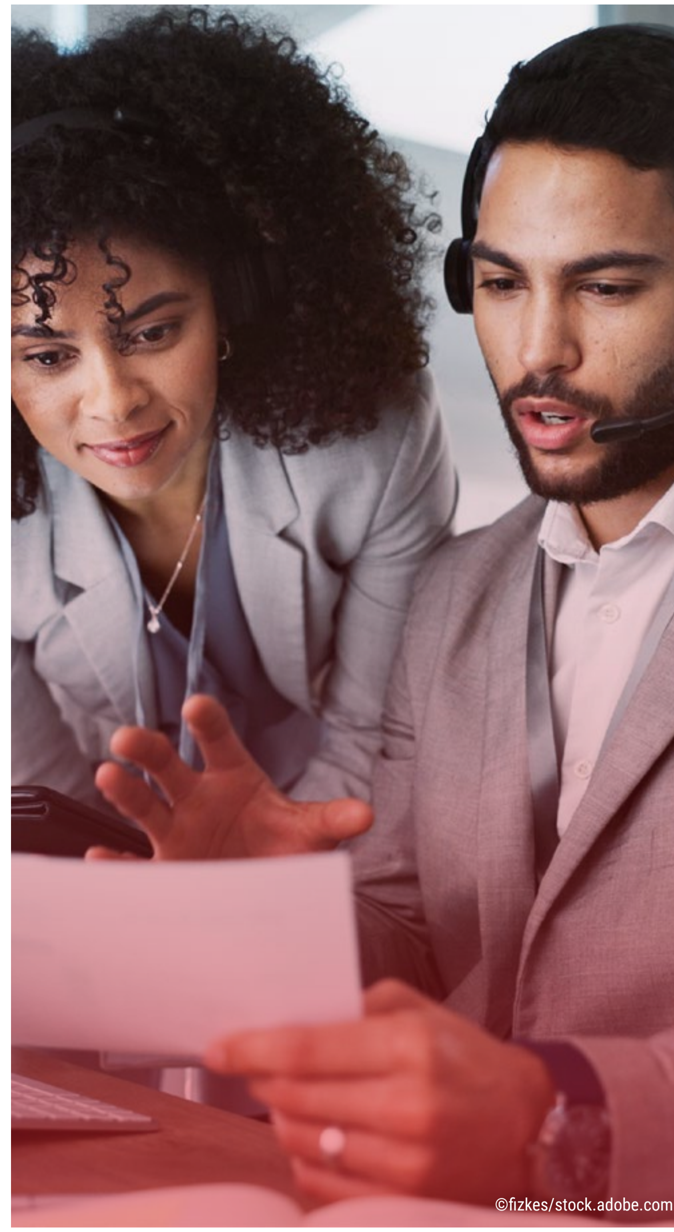
- **Several countries have policies to promote sustainable tourism.** In **Jordan** and **Oman,** regulations encourage environmentally sustainable tourism. **Egypt, Morocco** and **Tunisia** are fostering ecotourism in protected areas, accompanied by broader campaigns to promote sustainable practices across the tourism sector.
- **Many countries hope to capitalize on significant solar and wind power potentials to reduce dependence on fossil fuels, advance towards emissions targets and develop profitable renewable energy industries.** The Solar Plan of **Tunisia** includes investment in solar power plants, support to R&D and incentives for businesses to use renewable energy. Major projects, such as the

Abu Dhabi Power Corporation's Al-Dhafra solar plant in the United Arab Emirates and the AMAN project in **Mauritania**, promise to transform the region's energy mix, reduce carbon emissions, and expand access to clean and affordable electricity.

- **Sustainable agriculture and organic farming have been supported** by initiatives such as the Green **Morocco** Plan. It works to increase agricultural productivity through irrigation improvements, the introduction of new crop varieties and support to smallholder farmers. In **Mauritania,** new projects to improve land management and foster inclusive and sustainable commercial agriculture entail community-driven management and irrigation investments.

◆ **Across the region, there is growing interest in addressing labour market deficiencies and promoting decent work through national employment policies[7] and the promotion of technical and vocational education and training (TVET). Such measures have had unclear results in the face of persistently high levels of unemployment and vulnerable employment.** TVET reforms confront limitations in funding and quality (see the chapter on SDG 4) even as many active labour market policies do not sufficiently target populations most in need of support.[8] There has been a disproportionate focus on skilled workers to the detriment of lower-skilled job seekers (see the chapter on SDG 1).[9] Further, sluggish economic growth has failed to produce enough decent employment opportunities to absorb new labour force entrants.

- **As of 2023, 12 countries (Algeria, Bahrain, the Comoros, Iraq, Jordan, Mauritania, Morocco, Saudi Arabia, Somalia, the State of Palestine, the Sudan and the United Arab Emirates) had national employment policies in place, while an additional five (Djibouti, Egypt, Lebanon, Oman and Tunisia) were developing such policies.** Although quality varies in terms of the use of measurable targets and indicators and inclusion of concrete activities, common elements include promoting economic growth and incentivizing private sector job creation, improving labour market institutions and programmes, protecting workers' rights and facilitating social dialogue. Specific actions often include expanding access to credit, offering tax incentives for job creation, reorienting investments in the education sector and investing in job-creating industries. **Kuwait, Libya, Qatar,** the **Syrian Arab Republic** and **Yemen** have yet to issue national employment policies.[10] Countries have also pursued educational reforms, continuous learning programmes and the promotion of TVET pathways to upskill their populations and better align capacities with labour market needs (see the chapter on SDG 4).



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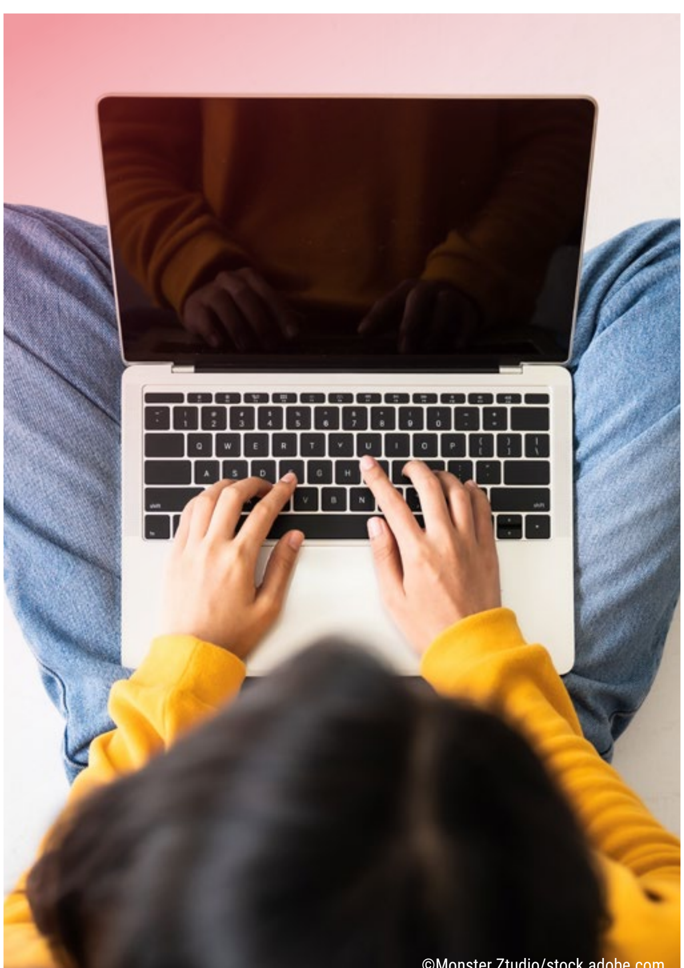
◆ **Although strategies to increase the participation of women and young people in the labour force have proliferated, they have not necessarily been matched by effective policies to create decent jobs or address social, cultural or logistical barriers, such as limits on mobility or childcare challenges for women.**

Piecemeal policies with weak planning, coordination and monitoring mechanisms have largely failed to shift underlying social and cultural barriers to women's economic participation. Similarly, efforts to facilitate youth learning-to-earning transitions have sputtered in the face of low job creation, weak implementation and coordination mechanisms, and insufficient data for designing and implementing targeted policies and programmes.

- **At nearly 20 per cent as of 2022, the region's female unemployment rate is the highest in the world, and more than triple the global average.** Only 20 per cent of women participate in the labour force, trailing far behind the global average of 53 per cent. A variety of factors contribute to this trend, including restricted access to financial services, lower salaries, discrimination, limited mobility and harassment in public places. Gender-blind policies that serve as de facto barriers to women's economic participation include weak provisions for maternity leave or affordable childcare. Countries have sought to correct the situation through a variety of measures. **Egypt** has introduced additional flexibility in working hours for public sector employees and established labour codes requiring large businesses to provide on-site childcare facilities. The National Council for Women's Strategy for the Empowerment of Egyptian Women 2030 has further called for a comprehensive multistakeholder approach to the different circumstances women face at various stages in their lives so that these can be considered in policy responses. In **Saudi Arabia,** the 2023 approval of the National Policy to Promote Equality of Opportunities and Treatment in Employment provided a clear definition of gender discrimination and the means for prevention. The policy sets goals to promote equal treatment in employment and occupation, and created initiatives to encourage women to enter and remain in the labour market.
- **In addition to high female unemployment, the region has persistently had the world's highest youth unemployment rate. It stood at 26.3 per cent in 2022,** as young people of all education levels and in all parts of the region struggled to find employment opportunities. Contributing factors include low rates of job creation and mismatches between graduates' skills and the needs of employers. High youth unemployment has fuelled a brain drain, as talented young people with few prospects at home seek opportunities abroad. Policies to address these issues have included training or entrepreneurship support to young people, such as in **Morocco.** Countries have provided subsidized work contracts or similar mechanisms to encourage employers to hire target populations, such as graduates or first-time job seekers, as in **Algeria.** In many countries, adjustments to the education curriculum and efforts to boost TVET have been implemented to address youth unemployment (see the chapter on SDG 4).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The region faces a significant brain drain as qualified graduates seek better opportunities abroad. Poor socioeconomic conditions, political instability, conflict and limits on free expression, compounded by institutional weaknesses and corruption, drive the migration of educated professionals from low- and middle-income countries to higher-income countries in the region and beyond. Scientists, engineers, ICT professionals and other qualified graduates move abroad to find job opportunities, higher wages and better living conditions.

Brain drain imposes significant costs on origin countries in terms of resources spent on educating emigrants and the loss of talent in the national workforce. While a full analysis has not yet been conducted, several examples point to the scale of the challenge. For example, 600 engineers leave **Morocco** annually, equivalent to the yearly graduating classes of four engineering schools. During the COVID-19 pandemic, the emigration of medical staff exacerbated weaknesses in medical systems. In **Lebanon**, the World Health Organization estimated in 2021 that nearly 40 per cent of medical doctors and 15 per cent of registered nurses had left the country. The **Egyptian** public health sector saw some 11,500 doctors leave to seek opportunities abroad between 2019 and 2022.

Sources: El Ouassif, 2021; WHO, 2021; Mahfouz, 2023.

- **Countries in the region vary in the extent to which they have ratified and applied core international labour rights conventions. Those on abolishing forced labour and protecting children are the most widely adopted.** Despite widespread acceptance of certain conventions, however, labour rights remain weakly enforced, with violations observed in both convention signatories and non-signatories.

The ILO has designated 11 conventions as “fundamental” due to their relationship with essential human rights. These include conventions on free association and recognizing the right to collective bargaining, eliminating forced labour, abolishing child labour, prohibiting discrimination, and implementing safe and healthy working environments. Table 8.1 outlines the ratification status of these instruments.[11]

Table 8.1
Adoption of selected ILO conventions by Arab countries

ILO convention	Number of ratifying countries in the Arab region
Freedom of Association and Protection of the Right to Organise Convention, 1948	13
Right to Organise and Collective Bargaining Convention, 1949	16
Forced Labour Convention, 1930	21
Forced Labour Convention, 2014 Protocol	5
Abolition of Forced Labour Convention, 1957	21
Equal Remuneration Convention, 1951	16
Discrimination (Employment and Occupation) Convention, 1958	20
Minimum Age Convention, 1973	20
Worst Forms of Child Labour Convention, 1999	21
Occupational Safety and Health Convention, 1981	4
Promotional Framework for Occupational Safety and Health Convention, 2006	4

Source: Authors.

- **While all countries have adopted conventions on the elimination of forced labour and child labour, there is considerably less consensus in other policy areas.** None of the Gulf Cooperation Council countries, other than **Kuwait,** have adopted the convention on the Right to Organise and Collective Bargaining. Eight Arab countries have yet to ratify the Freedom of Association and Protection of the Right to Organise Convention. Conventions related to occupational safety and health have the lowest uptake in the region, with only four countries **(Algeria, Bahrain, Somalia** and the **Syrian Arab Republic)** ratifying the 1981 Convention and four **(Iraq, Morocco, Somalia and Tunisia)** adopting the 2006 Convention.
- **Despite ratifying labour conventions, many countries still have work to do in protecting labour rights and achieving decent work.** Even in countries that have adopted the Equal Remuneration Convention, gender pay inequalities continue. The right to collective bargaining and unionization is regularly violated, including in countries ratifying associated conventions.[12] Instances of slavery and forced labour continue to be observed despite the unanimous[13] ratification of forced labour conventions. An estimated 1.2 million children in the region (3 per cent of the total) are in child labour, with 50 per cent in hazardous working conditions.
- **Ongoing weaknesses in achieving quality working conditions for all can be tied to a variety of factors, including high levels of informality, weak labour inspection capacity and inadequate mechanisms to access justice.** These compound deeper issues of conflict, displacement and economic fragility. Further, weak rule of law, corruption and violations of the rights to free speech and assembly have shaped institutional environments that are hardly conducive to protecting workers’ rights (see the chapter on SDG 16).

Tripartism is making headway in the region, signifying an increased willingness to engage employers and workers in labour policy. To date, 13 Arab countries have signed the ILO Tripartite Consultation Convention of 1976, including five (the **Comoros, Mauritania, Somalia,** the **Sudan** and **Tunisia**) in the past decade. All countries have social dialogue institutions and bodies, and all Arab League Member States have adopted the Arab Action Agenda for Employment, which prioritizes social dialogue and encourages the creation of social and economic councils.[a]

[a] See the ILO, Tripartisan and Social Dialogue in the Arab States.

C. Policy trends by subregion

1. Gulf Cooperation Council countries

Since Gulf Cooperation Council countries remain highly dependent on oil revenues, economies and government spending are vulnerable to volatility in global energy markets. These countries have pursued economic diversification strategies for decades, with some success. The non-oil sector steadily grew to 64 per cent of the subregion's GDP in 2022[14] although some of this growth still ultimately depends on the oil sector. Employment remains a challenge. Even as countries pursue labour force "nationalization" strategies, most employed nationals work in the public sector, while the private sector largely relies on a sizeable migrant worker population.[15] Ensuring inclusive economic growth and decent employment for all will require further promotion of innovation and entrepreneurship, increased dynamism in the non-oil sector and improved working conditions for migrant workers (see the chapter on SDG 10).

◆ **Gulf Cooperation Council countries have intensified efforts to promote economic diversification to shift away from a heavy dependency on oil exports.** Private sector development has been central to diversification efforts, as heavy dependence on hydrocarbons for government revenues renders public sector expansion unsustainable as a diversification strategy. Key sectors for diversification have included logistics, finance, real estate, manufacturing and transportation. Countries have sought to attract foreign capital and businesses through generous tax incentives and investment in start-ups and other enterprises. As articulated in the national visions of all Gulf Cooperation Council countries, an underlying ambition is to position the subregion as a hub for the knowledge-based economy. In addition to attracting and investing in firms active in this space, countries have focused on education and science and on promoting innovation and opportunities in emerging sectors.

All Gulf Cooperation Council countries have created agencies or funds to support entrepreneurship, including financing mechanisms dedicated to SMEs investing in the Fourth Industrial Revolution (see the chapter on SDG 9). For instance, in **Saudi Arabia,** the SME General Authority (*Monsha'at*) was established to regulate, support and develop the SME sector to increase productivity and its contribution to GDP from 20 to 35 per cent by 2030.

◆ **Complementing economic diversification measures, Gulf Cooperation Council countries have attempted to improve their overall business environment and competitiveness through enhanced infrastructure, regulatory conditions and trade connectivity.** Efforts to boost trade and investment have been integral to economic strategies, and countries have made significant investments in infrastructure to spur business productivity and trade. One example is the plan for a Gulf Railway, a 2,117-kilometre project estimated to cost over $240 billion. Once constructed, it will be one of the largest contemporary cross-border rail networks in the world. Significant investment in sea and airport infrastructure has helped to rapidly increase capacity and position the subregion as a hub for international trade, supported by port-linked free trade zones. Container capacity more than doubled between 2012 and 2022, although utilization rates have gradually dropped. Additional efforts to support innovation have included the launch of special economic zones such as the International Investment Park in **Bahrain**, the Science and Technology Park in **Qatar** and the Prince Abdullah Science Park in **Saudi Arabia**.

Countries have used regulatory changes to improve the business environment. Recent examples include reforms of land administration and minority investor protections in **Saudi Arabia,** reforms in building standards and business registration in the **United Arab Emirates** and the launch of an online portal to facilitate business registration in **Kuwait.** Most countries have streamlined procedures for paying taxes and clearing goods through customs.[16]

◆ **"Nationalization" has been a key objective of labour planning strategies, targeting the increased role of citizens in the national labour force, particularly in the private sector.** Common measures to implement such strategies include human capital investments, job matching support, and a combination of fiscal incentives and hiring quotas meant to encourage private sector entities to hire national employees. **Saudi Arabia** nationalization efforts centre on the *nitaqat* programme, which establishes hiring quotas for nationals by industry and company size, and assigns colour-coded ratings to employers according to their success in meeting these targets. A company's *nitaqat* rating confers benefits or penalties on its ability to sponsor foreign workers, with those in the highest categories gaining access to fast-tracked processing and the ability to hire foreign workers from lower-rated companies without the permission of the sponsor. In the **United Arab Emirates**, employers have been ordered to prioritize the recruitment of Emiratis in 160 targeted professions. Companies achieving hiring targets are offered steep fee reductions by the Ministry of Human Resources and Emiratisation.

- **Progress on nationalization has been uneven. Foreign workers still represent large majorities of all country workforces, ranging from 75.6 per cent in Saudi Arabia to 94.8 per cent in Qatar.**[17] These shares are even greater within the private sector. Challenges to implementing nationalization policies have included long-standing private sector practices of relying on expatriate workers, a mismatch between nationals' skills and the requirements of the labour market, and a persistent preference among nationals for public sector employment, which often offers more attractive compensation packages. Many private sector employers harbour concerns over the potential for quotas to lead to lost productivity and increased costs.[18]
- **Many countries have launched reforms of their *kafala* (sponsorship) systems,** which have traditionally tied migrant workers to their employers and exacerbated their vulnerability. The power imbalances and discrimination embedded within the *kafala* system still leave migrants workers behind, however, exposed to exploitation, abuse and violence (see the chapters on SDGs 1 and 10).

In **Bahrain**, the National Employment Programme (2019) prioritizes citizens' employment in the private and public sectors. The programme includes four key initiatives: an awareness campaign to encourage citizens to register; greater unemployment compensation; increased sponsorship fees for expatriate workers; and a redesign of the training and wage support programmes of *Tamkeen*.[a] In 2020, the National Employment Program 2.0 (later complemented by the National Labour Market Plan 2021-2023) was launched, offering wage support for Bahraini job seekers and new graduates. The Ministry of Labour continues to explore ways to train Bahrainis and connect them with employers, including through electronic job fairs, a digital portal for job seekers, professional training and career guidance, and apprenticeship programmes.

Source: See Bahrain, Voluntary National Review 2023.

[a] Launched in 2006, the Tamkeen government agency's mission is to empower the private sector to drive economic growth in Bahrain by providing programmes and support for enterprises and individuals. This includes investment to enhance funding opportunities for the private sector and support the training and employment of the national workforce through various employment programmes. See the Tamkeen website, and Tamkeen programmes.

2. Arab middle-income countries

Arab middle-income countries face diverse circumstances, with a notable divide between oil-producing and non-oil-producing economies. Several are enduring severe economic and social crises. Like the Gulf Cooperation Council countries, the middle-income countries have sought to modernize infrastructure and diversify their economies, including through incentives for innovation and investment in job-creating sectors such as manufacturing, tourism and services. These efforts have met headwinds given competition from emerging economies in other parts of the world and underlying weaknesses in the business environment. Despite some reforms, transaction costs remain high in the Arab middle-income countries due to bureaucratic burdens, limiting international competitiveness. Most economies are dominated by low-value-added and low-productivity sectors. Unemployment has remained around 10 per cent for more than a decade, and economies have failed to create enough jobs to accommodate many new entrants to the labour market. The informal sector now provides nearly two thirds of all jobs, and large numbers of skilled graduates have emigrated abroad in search of opportunities, contributing to a "brain drain" that threatens future prosperity.


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Middle-income countries, particularly those that are not dependent on hydrocarbons and are not in conflict, have tried to counterbalance the decline in traditional manufacturing through initiatives to improve industrial competitiveness and support the service-driven economy. Policies have prioritized fostering innovation and technology, incentivizing R&D, encouraging entrepreneurship, upskilling the workforce, and shoring up critical infrastructure to facilitate trade and connectivity and attract investment capital. Yet asymmetries in international trade, inefficient foreign direct investment policies, and structural barriers, including bureaucracy, corruption and limited financial inclusion, continue to hinder private sector development. **Policies to support transformation have included the development of export-oriented industries bolstered by industrial parks, free economic zones, fiscal incentives and digital infrastructure.**

- **Algeria** has sought to diversify its economy by shoring up sectors that are less dependent on hydrocarbon revenues, with priorities including industry, renewable energy and tourism. The country has introduced tax incentives for exporting companies. Through the National Export Strategy and National Investment Fund, **Algeria** has established 50 industrial parks and offered credit guarantees for eligible businesses to ensure their access to finance.
- The National Structural Reforms Programme of **Egypt** focuses on the digital economy and on expanding the ICT sector, while the draft digital code of **Tunisia** highlights the role of these sectors in transforming the economy and generating high-value-added jobs.
- The Economic Modernization Vision of **Jordan** includes more than 360 initiatives spanning several sectors, emphasizing modern industry, future services, investment in education and green economy innovations. A national reform matrix outlines policy and structural reforms to improve competitiveness, accelerate growth and generate employment opportunities through improvements to the business and investment environments.
- **Morocco** has seen significant expansion in manufacturing by becoming a regional hub for the automotive industry. The Industrial Acceleration Plan aims to create 500,000 jobs and expand industry's share of GDP through an export-driven strategy that aids companies in accessing external markets. Morocco has engaged in regional cooperation agreements such as the African Continental Free Trade Area to expand access to markets.

The automotive industry of Morocco: a diversification success story

The automotive industry of Morocco is one of the region's most successful economic diversification efforts. Over the past 15 years, the country has emerged as the top car producer of Africa and the second largest vehicle exporter to the European Union, occupying a leading position in the global automotive value chain. Approximately 220,000 jobs have been created since 2008. In 2021, the automotive industry exported 400,000 vehicles valued at $8.3 billion, making it the largest export sector in Morocco.

Economic diversification strategies targeting increased exports have driven success. They include the 2008 National Pact for Industrial Emergence and the Industrial Acceleration Plan (2014-2020). Industrial parks and significant public investment in infrastructure projects, such as the Tanger Med Port and enhancements to the road and rail networks of northern Morocco, helped the sector gain a foothold. Further support has included the creation of special economic zones offering tax breaks and investment incentives for eligible firms. Bureaucratic reforms have simplified procedures for international investors and fostered a more business-friendly environment. Various free trade agreements and proximity to the European market have accelerated growth and helped attract investment from major companies.

The industrial policy of Morocco has evolved in recent years to enhance local integration, scale up industrial activities, upgrade operations across the value chain, improve levels of technology and knowledge transfer, and diversify export markets. With an already installed annual capacity of 700,000 vehicles, Morocco aims to produce 1 million cars per year by 2025 and achieve a local integration rate of 80 per cent, up from 60 per cent currently. The country produces about 40,000 to 50,000 electric vehicles per year; further moves to ramp up the production of electric vehicles align with the policies of key trading partners, such as the Directive of the European Commission of July 2021 to phase out all fossil fuel-powered vehicles by 2035.

Source: UNCTAD, 2023.

Tourism has been a major focus in diversification efforts in middle-income countries. Algeria, Egypt, Jordan, Lebanon, Morocco and **Tunisia** have adopted strategies and initiatives to promote new or underdeveloped destinations.

- **Algeria** has adopted measures to support tourism in the Sahara Desert, including the issuance of visas on arrival to visitors making arrangements through approved tourism agencies. Visitors to other parts of the country remain subject to standard visa procedures.[19]
- In **Egypt,** the national strategy for tourism development intends to improve competitiveness, foster investment, upskill human resources and promote new destinations. New measures facilitate entry to the country for 180 nationalities.[20]
- **Jordan** launched the National Tourism Strategy 2021-2025 and the Tourism Resilience Fund to enhance sector competitiveness in the post-COVID-19 era, emphasizing public-private collaboration, medical and film tourism, and domestic tourism. The strategy incorporates structural reforms in regulations, the business environment, accessibility, investment, human resources and governance.
- In **Lebanon,** authorities have identified tourism as a priority sector to stimulate economic growth. The Lebanon Economic Vision Report[21] envisages a diversified tourism sector, including medical and conference tourism. Notably, the National Council for Tourism promotes efforts in responsible tourism.[22]
- In **Morocco,** the 10-year tourism development strategies, Vision 2010 and Vision 2020, called for promotional campaigns, investments, the creation of new destinations and the upskilling of human resources. The plans have sought to foster collaboration between public and private actors, towards the sustainable transformation of the sector based on adapting to new market realities and anticipating increasingly responsible consumption patterns among tourists.[23]
- **Tunisia** launched Tourism 2035,[24] a roadmap to boost collaboration between public and private actors and make the country a sustainable and internationally attractive destination. This overarching framework emphasizes the promotion of cultural heritage and the preservation of the environment.

Middle-income countries have supported agricultural development through investment in irrigation systems and assistance to farmers. Although agriculture has declined as a share of GDP, and revenues generated by agriculture are volatile due to meteorological conditions and water availability, it still accounts for an important share of workforces (see the chapter on SDG 2).


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Middle-income countries have launched policies to formalize large numbers of informal workers. Across the region, an estimated 62.3 per cent of employment is informal,[25] as weak regulatory frameworks, poor labour market conditions, economic concentration in low-productivity sectors, inadequate educational outcomes and conflicts have hindered decent work opportunities in the formal sector.[26] Most workers lack coverage by minimum wage laws, work safety regulations, social protection systems and other benefits afforded by labour laws. Several middle-income countries, such as **Algeria, Egypt, Jordan, Morocco** and **Tunisia,** have implemented measures to encourage formalization. These include voluntary or mandatory registration programmes for social protection systems, specific campaigns and systems targeting categories of workers (such as agricultural labourers or artisans), tax holidays for cooperating SMEs and increased enforcement measures against businesses skirting labour regulations. To date, these policies have yet to make significant headway. A lack of buy-in or awareness may hinder voluntary schemes, and increased enforcement measures have not kept up with the scale of informal labour.

Middle-income countries have promoted entrepreneurship as a solution to high rates of unemployment, offering support for start-ups and SMEs, and opportunities for self-employed people to access social protection systems. The National Employment Strategy 2015-2025 and National Employment Promotion Plan 2018-2021 of **Morocco** underscore the potential for self-employment and micro-entrepreneurship to facilitate youth integration in the labour market. Programmes back the development of soft skills, language competencies and training in entrepreneurship. An Integrated Business Support and Financing Programme includes an Entrepreneurship Financing Support Fund sponsored in equal measure by the State and the banking sector. The *Inhad* programme of **Jordan** is a multistakeholder partnership promoting self-employment among young people through training in social innovation, entrepreneurship, business planning and finance. The programme's objectives include increasing access to entrepreneurship resources and enhancing the competitiveness of micro-, small and medium-size enterprises (MSMEs) and social entrepreneurs.

3. Arab least developed countries and countries in conflict

Arab least developed and conflict-affected countries are generally characterized by high dependence on a single economic sector, large macroeconomic imbalances and weak competitiveness due to poor infrastructure and human capital development. Most countries have dual-track economies with a prominent divide between export-oriented extractive industries on the one hand and subsistence activities based on fishing and agriculture on the other. Such economies have struggled to generate decent employment opportunities, and are vulnerable to shifts in global commodity and food markets as well as to the risks of climate change, conflict and fragility. These risks impede stability, which is crucial for long-term planning and investment in sectors that generate sustainable employment. Labour markets face serious challenges, with average unemployment rates over 17 per cent and informal employment representing 87 per cent and 76 per cent of jobs, respectively, in each group of countries. Besides economic diversification, the least developed and conflict-affected countries have taken steps to promote investment and employment, improve the management of state-owned enterprises, and enhance anti-corruption and transparency efforts.

The least developed and conflict-affected countries have launched reform agendas to achieve macroeconomic stability and firm up foundations for inclusive growth. These measures have accompanied plans to attract foreign direct investment and promote exports to stimulate growth and job creation.

- In **Iraq,** the Financial Reform White Paper offers a roadmap for addressing structural economic challenges through fiscal stability, infrastructure development, and legal and administrative reform. In **Mauritania,** the Strategy for Accelerated Growth and Shared Prosperity includes various reforms to stimulate the economy, such as the abolition of registration fees for SMEs, a new customs code and the reform of the banking law. In **Palestine,** laws concerning investment, intellectual property, ownership and tax reform (especially in the renewable energy and industrial sectors) have been put in place alongside reformed labour laws.
- Several least developed and conflict-affected countries have received relief under the Heavily Indebted Poor Countries (HIPC) Initiative, including the **Comoros, Mauritania** and **Somalia.** They have instituted economic management reforms in exchange for partial debt relief. Before the 2023 resurgence of armed conflict, the **Sudan** took steps to pursue HIPC relief. Countries have also joined regional trade blocs; for example, the **Comoros, Mauritania** and **Djibouti** are members of the African Continental Free Trade Area, while **Somalia** and the **Sudan** are still in the ratification process.

A number of least developed and conflict-affected countries have launched economic diversification policies to reduce reliance on a single sector, support the growth of non-resource sectors such as manufacturing and services, develop the private sector and create employment opportunities. Many plans have further sought to support private investment and innovation.

- The Comoros Emerging Plan has identified key sectors to accelerate diversification in the **Comoros,** including tourism and handicrafts, the blue economy, financial and logistical services and modernized agriculture. The Industrial Development Strategy of **Mauritania** features measures to limit dependence on the mining sector, such as by promoting processing industries in the agrifood and fishing sectors through tax incentives, providing workforce training, bolstering market access and supporting production sites.
- In **Iraq,** the National Development Plan emphasizes the development of SMEs and investment in industrial areas and scientific parks. In the **Sudan,** the Poverty Reduction Strategy Paper 2021-2023 calls for enabling investment in key sectors such as agriculture, energy and transport, a goal bolstered by new public-private partnership laws.
- Countries such as **Mauritania** and the **State of Palestine** have established dedicated funds to support vocational training to aid eligible participants in acquiring skills to enter the workforce.

◆ **Least developed country and post-conflict country Governments have focused on building, upgrading and reconstructing transportation, energy and telecommunications infrastructure to enhance trade and economic growth. Mauritania** has invested in road, port and airport infrastructure. An infrastructure development and maintenance programme has increased the road network and electricity production capacity. Mauritania has also embarked on a strategy to promote renewable energies. In the **Sudan,** partnerships with the private sector have facilitated improvements to the road network, with priority given to agriculture feeder roads to link production areas with markets. In addition to the establishment of road tolls, a Fund for Roads Maintenance managed by the Roads and Bridges Corporation is being created. Countries that have suffered prolonged conflicts have massive needs for reconstruction, with the total costs for rebuilding damaged infrastructure in the **Syrian Arab Republic** estimated at more than $150 billion.[27]

◆ **Many least developed and conflict-affected countries have programmes to reform agriculture and promote rural development.** The objective is to increase revenues and exports, and create employment opportunities. A large share of workers in the least developed countries is employed in agriculture, making it critical to ensure the dynamism and modernization of this sector.

- The **Comoros** has established Regional Economic Development Centres to support the implementation of rural development strategies. It has launched policies such as the National Agricultural Investment Plan to facilitate adaptation to climate change, sustainable management of water and soil resources, land tenure security and the empowerment of women. **Mauritania** has stressed opportunities to increase the value added of its agricultural sector, including through investments in irrigation, vaccination campaigns to promote livestock health and support for female entrepreneurs in rural regions. **Somalia** has moved to create an enabling environment for investors in agriculture, including through the establishment of an Agricultural Regulatory Inspection Services Agency to conduct quality checks on agricultural products and enforce standards.
- In conflict and post-conflict settings, agricultural development has been part of recovery efforts. The National Development Plan 2018-2022 **Iraqi** aimed to improve access to services and infrastructure to reduce the gap between rural and urban areas, prioritizing provinces recovering from conflict. The **State of Palestine** created its Agriculture Credit Institution to promote investment in farming and rural financial inclusion, especially for smallholder farmers impacted by the Israeli occupation.

D. Policies to leave no one behind

Although economic growth is central to efforts to eliminate poverty, reduce inequality, create employment opportunities and raise financial resources for sustainable development, it is not sufficient to achieve these goals. Growth fuelled by unsustainable practices and disproportionately providing benefits to a small segment of the population will fail to generate sufficient decent employment. If growth benefits are “captured” by rent-seeking behaviour, they can exacerbate inequalities among groups already left behind. Table 8.2 considers some prominent inequalities hindering equitable and inclusive growth in the Arab region, and provides examples of policies to mitigate their impacts.


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Table 8.2
Examples of policies to mitigate the impacts of inequality

Young people face an unfavourable labour market that has failed to generate enough jobs to absorb new entrants into the workforce. As a result, Arab youth have the highest rate of unemployment in the world (26.3 per cent overall). This situation inhibits social mobility, worsens inequality and has sparked both unrest and waves of emigration of skilled and unskilled job seekers. Youth unemployment perpetuates the intergenerational cycle of poverty and is sometimes associated with higher levels of crime, violence, civil unrest, substance abuse and the rise of political extremism.	In **Lebanon,** the Ministry of Education and Higher Education, the Ministry of Industry and the Association of Lebanese Industrialists signed a memorandum of understanding in 2023 to bolster TVET and lifelong learning to support youth employment. The agreement plans to deepen connections between industry and institutions and cultivate a more skilled workforce to promote innovation and competitiveness in the private sector. It highlights the importance of coordination between the public and private sectors to equip TVET students with the competencies and technical knowledge required for sustainable careers. The three parties commit to cooperating in skills planning, curricula enhancement, technology exchange, real work experience and education-to-work transitions.[a]
Women in the region are systemically disadvantaged by harmful cultural norms and attitudes and unequal pay. Formal and informal barriers to women's employment contribute to gender inequality and constrain their huge and mostly untapped potential. In addition to having the highest female unemployment rate in the world at 19.9 per cent, the Arab region also has the lowest rate of women's economic participation.[b] The timeframe to close this gap is estimated at 115 years.[c]	In **Jordan,** the Women Economic Empowerment Action Plan (2019-2024) has two main objectives: creating an enabling environment to identify and address obstacles to women's economic participation, and improving women's access to economic opportunities. Accompanying guidelines help in measuring the gender wage gap, preventing workplace harassment and implementing flexible work arrangements. Outreach efforts associated with the plan have led 60 companies to sign on as partners and benefit from support programmes to make practices more gender-responsive, including through the establishment of 76 childcare facilities in public and private entities. To facilitate unified data collection, the Interministerial Committee for Women's Empowerment developed a dashboard to prepare reports for decision-makers on gender considerations in various sectors.
Persons with disabilities suffer from discrimination, accessibility and transport challenges, and lower rates of literacy and education due to inequitable access to quality education. In addition, anti-discrimination and quota laws are often insufficiently enforced. As a result, employment rates for persons with disabilities are far below those of the general population.	In addition to being a party to the Convention on the Rights of Persons with Disabilities, **Qatar** has enacted laws to support the participation of persons with disabilities in economic, social and cultural life. These objectives have been enshrined in the Qatar National Vision 2030. The 2004 Law on Persons with Disabilities established a hiring quota mandating that 2 per cent of positions in public sector entities be offered to qualified persons with disabilities. Employers are also required to make reasonable accommodations and adapt workplaces for persons with disabilities, with penalties for discrimination. Further initiatives focus on preparing and implementing rehabilitation and vocational training programmes to facilitate the professional inclusion of persons with disabilities in public and private sector employment. Multiple government entities, including the Ministry of Interior; the Ministry of Administrative Development, Labour and Social Affairs; the Ministry of Education and Higher Education; and the Qatar Rehabilitation Institute actively engage in these efforts.

Table 8.2
Examples of policies to mitigate the impacts of inequality

	**Rural and remote regions** experience higher rates of poverty and lower rates of economic growth than well-connected urban districts. Uneven patterns of economic growth, archaic economic structures, lower rates of foreign and domestic investment, and insufficient social spending typically work to the detriment of rural and remote regions.	**Iraq** has sought to address regional inequalities and promote balanced socioeconomic development across its provinces by addressing deep urban-rural gaps and ensuring equitable access to services and infrastructure. Decentralization has been pursued in eight federal ministries, such as the Ministry of Labour and Social Affairs, and recent national development plans have included objectives such as promoting investment in less developed regions and accelerating the reconstruction and recovery of provinces affected by security issues. The 2018 National Urban Strategic Framework targets balanced spatial development by establishing industrial and investment zones beyond provincial centres and through spatial development programmes.
	**Informal and agricultural workers** confront poor working conditions, low wages, a lack of job security, and exclusion from social protection coverage and the provisions of labour laws.	In 2018, the **Comoros** launched the Family Farming Productivity and Resilience Support Project to assist some 35,000 smallholder farmers. The project covers enhancing rural incomes, creating jobs in agricultural communities, bolstering resilience to climate change and improving food security. It has helped farmers increase the production of indigenous crops to meet local demand and facilitate exports, and reenforces rural access to financial services to promote investment in equipment and farm infrastructure.[d] The project represents one important contribution to enhancing the agricultural sector,[e] which makes up 36 per cent of GDP. Value added has increased in recent years, progressing by 2.1 per cent in 2020 and 3.2 per cent in 2021.
	**Refugees** come up against a plethora of legal and informal obstacles that undermine access to education, employment and justice. Many refugees face employment restrictions and work in the informal sector without labour law protections. Those residing in camps face additional barriers to participating in more dynamic parts of host country economies. In many cases, refugees returning to their countries of origin continue to face obstacles during reintegration.	The Federal Government of **Somalia** has developed a National Policy on Refugee-Returnees and Internally Displaced Persons.[f] Principle 9 guards against discrimination and affirms the right of such persons to seek employment and participate in economic life. This principle is supported by provisions on livelihoods, employment and inclusion in social welfare schemes. The policy includes several tools and schemes to support the reintegration of refugee-returnees and internally displaced people in the agricultural, pastoral and fishing sectors. Programmes targeting urban areas include microcredit and grants for starting businesses, the provision of material and infrastructure for productive activities, and vocational training.

Table 8.2
Examples of policies to mitigate the impacts of inequality

	**Migrant workers** are primarily hired in low-wage jobs, although many are employed in better-paid professions, particularly in the Gulf Cooperation Council countries. Migrant workers may face legal discrimination in terms of coverage by labour regulations and minimum wage laws, exclusion from social protection systems, and heightened vulnerability to exploitation and abuse by employers. **Female migrant domestic workers** face even greater challenges. They are often bound to their employer's home while being excluded from migrant worker protections.	Many Gulf Cooperation Council countries have reformed their *kafala* systems, which tie migrant workers to their sponsoring employers and have been criticized for creating potentially abusive working situations (see the chapter on SDG 10). **Bahrain,** for example, has progressively moved to reform its *kafala* system. In 2009, the Mobility Law allowed migrant workers to switch employment without their sponsor's permission, provided they respect the notice periods stipulated in their employment contracts. The law also granted migrant workers leaving a job 30 days to stay in the country while seeking alternative employment. This reform, however, was undercut by a 2011 law restricting these rights to migrant workers who have already served one full year in their positions. Further reforms have included a 2012 law to provide labour protections, such as sick days and annual leave, to foreign workers. While such reforms are steps in the right direction, enforcement has been questioned, and migrant domestic workers, among the most vulnerable workers in the region, have generally been excluded.
	**Children** are at a higher risk of being in poverty than the general population. Those in poor households are more likely to be forced into work instead of completing their studies. Child labour is an alarming phenomenon that increased during the COVID-19 pandemic.[g] Risks rise in fragile and conflict-affected countries, and can result in negative consequences across a lifetime.	As a member of Alliance 8.7,[h] **Morocco** has committed to eradicating child labour, forced labour, modern slavery and human trafficking. It has amended its Labour Code to prohibit the worst forms of child labour and banned those under age 18 from pursuing certain kinds of work (with exceptions for work in traditional handicraft sectors or for a family business with less than six employees). The Integrated Public Policy on the Protection of Children (2015-2025) of Morocco includes grant programmes to support local civil society in combatting child labour. A National Observatory for Children's Rights offers online reporting mechanisms for child abuse, complementing an existing hotline for child labour complaints. Efforts to attack the root causes of child labour have included assistance for vulnerable children through non-formal education programmes, vocational training and support for homeless children.

[a] ILO, 2023.
[b] World Economic Forum, 2022.
[c] ESCWA, 2023.
[d] See International Fund for Agriculture Development, Family Farming Productivity and Resilience Support Project.
[e] African Union, 2022.
[f] See Somalia, National Policy on Refugee-Returnees and Internally Displaced Persons (IDPs).
[g] ILO and UNICEF, 2020.
[h] The Alliance focuses on SDG target 8.7, which calls on governments to work together to end the unacceptable violations of human rights that forced labour, modern slavery, human trafficking and child labour represent.

E. The financing landscape

Financial inclusion is an important component of inclusive economic growth and an enabler for the SDGs. It can be defined as universal access to useful and affordable financial products, including for payments, savings, credit and insurance. In the 2030 Agenda for Sustainable Development, financial inclusion is reflected under SDG target 8.10. It is a significant element of the 2015 Addis Ababa Action Agenda on financing for development.

Expanding financial inclusion in the Arab region is critical for individuals and MSMEs. For individuals, financial inclusion can improve living conditions by helping to secure investment opportunities and stretch incomes. Those who participate in financial systems are better positioned to start or expand a business, invest in education, manage risk and withstand shocks.[28] In low- and middle-income economies in particular, expanding financial inclusion generally has a positive association with economic growth.[29]

Although the Arab region has seen a gradual increase in the proportion of the population with a financial account, it remains the poorest performer globally on financial inclusion. With only 37.2 per cent of people over age 15 holding a financial account, the region is far below the global average of 68.5 per cent. It has a large gender gap, with 48.3 per cent of men holding an account compared to 25.6 per cent of women. Both figures are below those in other regions. The latter has important implications for gender equality, as women's lack of financial inclusion, driven by legal, social and cultural barriers, limits their control over household finances, decreases opportunities to earn income, and constrains their ability to insure against risk or absorb unexpected expenses.[30]

MSMEs require financial inclusion to thrive. These enterprises represent 96 per cent of registered businesses in the region and employ about half the labour force. Yet they account for only 7 per cent of total bank lending. Increasing their access to financing would have multiple advantages. According to IMF projections, closing the gap in MSME access to finance could boost economic growth in the region by 1 per cent annually, create up to 15 million new jobs and enhance the effectiveness of fiscal and monetary policies.[31]

Several strategies can deepen financial inclusion. These start with strengthening broader economic environments and financial sectors. Fundamentals include establishing a level playing field between MSMEs and other enterprises, ensuring transparency and stability in financial institutions through strong legal frameworks, and increasing the availability of credit information. Alternative finance channels, such as fintech and mobile wallets, can offer further opportunities to expand the affordability and accessibility of credit and banking services.


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F. Regional dimensions

- **Increased cooperation and integration among Arab countries can boost efforts to achieve SDG 8 by spurring economic growth, generating employment opportunities and promoting shared prosperity.** To fully capitalize on such opportunities, however, countries need to implement reforms to dismantle trade barriers, facilitate market integration and strengthen collective competitiveness in the world market.
- The region has already moved towards market integration through the adoption of the Pan-Arab Free Trade Area agreement. Yet intraregional trade continues to stumble due to multiple obstacles. At only around 13 per cent of total trade, it falls far short of its potential.[32] Challenges include exclusions in the agreement, such as a failure to address many non-tariff barriers to trade; the agreement's non-applicability to the services trade; poor implementation and compliance; an absence of dispute settlement and resolution mechanisms; and a lack of clear rules of origin. Renewed political commitments to trade integration, including through the implementation of the planned Arab Customs Union, would have several positive effects on the region's economy.
- A customs union could expand total exports by more than 5 per cent among non-oil-producing countries and by as much as 7 per cent for some countries. Intraregional exports could grow even faster, by more than 7 per cent overall and nearly 9 per cent for non-oil-producing countries. In addition to increasing exports, a customs union would have positive impacts on employment. Projections indicate an up to 4 per cent drop in unemployment among skilled workers and a more than 3 per cent decrease among unskilled workers.[33]
- The Arab Customs Union would strengthen the integration of regional supply chains and could reinforce efforts to support industry and manufacturing. Improved economies of scale, increased scope for product differentiation, the development of regional value chains capitalizing on comparative advantages, and technology transfer all offer opportunities to spur growth and advance economic diversification.

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3. ESCWA, 2023.
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7. As defined by the ILO, a national employment policy is a comprehensive, integrated policy framework that strives to influence the content of economic, sectoral and social policies, towards full, productive and freely chosen employment and decent jobs for all.
8. ILO, UNICEF and European Training Foundation, 2023.
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10. See the ILO Employment Policy Gateway.
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15. On average, migrants comprised 53 per cent of the populations of the Gulf Cooperation Council countries in 2020, ranging from a low of 39 per cent in Saudi Arabia to a high of 88 per cent in the United Arab Emirates. The United Arab Emirates, Qatar and Kuwait ranked first, second and third worldwide in terms of the share of migrants as a proportion of the total population, respectively. According to ILO estimates, in 2019, 24.1 million migrant workers were in 12 Arab States (Gulf Cooperation Council countries, plus Iraq, Jordan, Lebanon, Palestine, the Syrian Arab Republic and Yemen), representing 14 per cent of all migrant workers worldwide. They made up the highest global share of migrant workers as a proportion of the total workforce, reaching 41.4 per cent in 2019 compared to the global average of just 5 per cent. See ESCWA, IOM and UNHCR, 2022. See also the chapter on SDG 10.
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