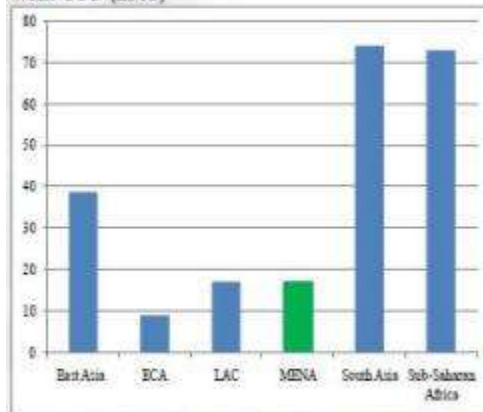


Poverty in the Middle East and north Africa

While poverty is relatively low in the Middle East and North Africa (MENA) - 17 percent of the region's population live below \$2-a-day in 2005 which is the same as in Latin America and the Caribbean (LAC), lower than in East Asia, but higher than in Europe and Central Asia (ECA) - the social balance in many countries is fragile (Figure 1).

Recent Trends in Poverty

Figure 1. Latest data on poverty by region (2005)
Percent of regions' population below \$2 a day with PPP (2005)



Source: World Bank Central Database: POVCALNET (2010)
Note: PPP is purchasing power parity (ICP 2005).

The poverty rate in MENA has been declining over the 1990-2005 period, although at a slower rate than in Latin American countries and the European ones. The number of people in poverty, however, has not declined since 1990 due to rapid population growth, and in 2005 still remained around 50 million at under \$2 a day.

Projections based on macroeconomic outlook and historic data on poverty show that poverty will continue to decline in most countries during 2008-2011 (with the notable exception of Yemen) largely because of still-positive GDP growth rates (Figure 2). But the financial crisis will mean slower progress, and at the level of the region, 2.6 million more people are projected to be in poverty because of the crisis by 2011.

Challenges in Poverty Reduction

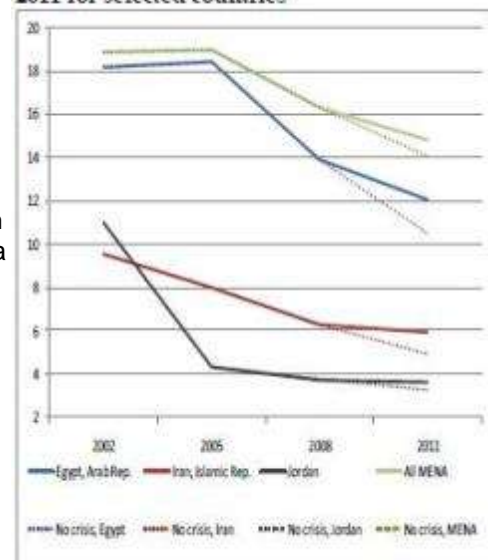
Persistence of poverty. Poverty in MENA is impacted only by rapid economic growth (above 2 percent per capita - see Figure 3). This is due to the nature of poverty, which is concentrated among groups which are the last ones to benefit from growth: illiterate, rural dwellers, large families with many dependants.

Increasing inequality: The region is experiencing a steady increase in inequality. This has serious implications for poverty reduction. Figure 3 suggests asymmetry of poverty changes with respect to positive and negative growth in that recessions have a larger effect on poverty than economic booms. This is explained by changes in distribution detrimental to the poor during the recessions. Inequality continues to increase even after periods of turmoil – due to unequal distribution of gains from growth.

Gender. Economic slowdowns might have a larger impact on women, particularly young women newly entering labor markets. This could be a significant challenge for MENA where female labor force participation rates are low: **around 25 per cent on average**. This would be a huge loss of investment in female education. The crisis might also strengthen the tendency towards the informalization of female employment in the region.

Social protection. The impact of the financial and economic crisis is likely to increase pressure on formal and informal social protection mechanisms. Growth in remittances in 2008 slowed down in MENA to a 8.5 percent increase over 2007 (in dollar terms) compared to growth in the previous 5 years averaging 16

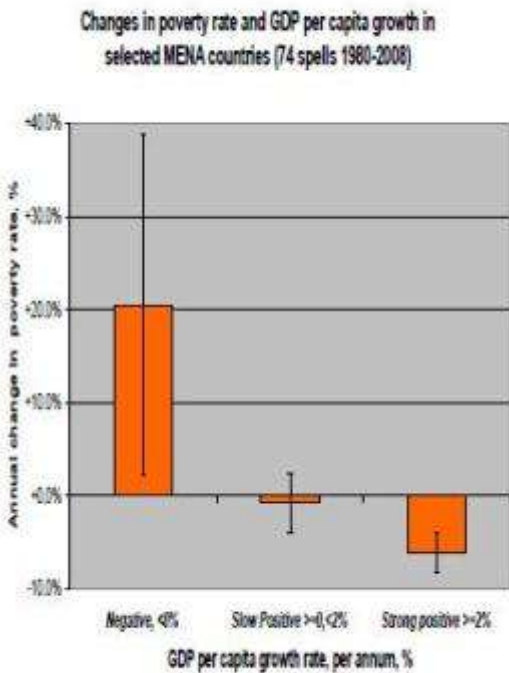
Figure 2. Recent poverty trends and outlook 2011 for selected countries



Sources: Staff estimates (Yemtsov and Iqbal 2009).
Note: Poverty rate \$2/day per capita at 2005 PPP

percent per annum. The slowdown might not affect poverty directly as remittances are typically going to better off families, but will affect the social balance.

Figure 3. Poverty responds to growth in MENA



The lack of safety nets in shielding the poor against the crisis is a challenge for policy makers. The technology of targeting and delivering cash transfers has improved greatly in recent years. Proxy-means tests were implemented in a number of MENA countries, and were capable of producing big gains in targeting accuracy (Jordan – National Aid Fund, Lebanon – Social aid project, West Bank and Gaza - Social registry). Yet, their scale-up is very slow due to political constraints.

Examples of Poverty Work in the MENA region

In Iraq, Bank engagement has included a wide range of integrated products, including the Iraq Household Socio-Economic Survey, first household survey in Iraq since the 1980s.

The World Bank has provided for the first time diagnostics in **Yemen** for subsidy reform options and brought poverty issues to the attention of policymakers.

The Bank has tried to open new frontiers, working with authorities in **Libya** for the first-ever poverty incidence and inequality analysis and in **Algeria**, bringing the country back to the dialogue on poverty issues.

Sources: POVCAL and Central Databases.

In **Egypt**, the Bank produced a poverty assessment update in 2007. Currently the World Bank is providing assistance to CAPMAS, The Egyptian Statistics agency to improve quality of surveys and data.

Data

- **5%** of the MENA population are below the lowest \$1.25-a-day poverty line and suffer from many forms of deprivation, including malnutrition.
- As many as **17%** of Egyptians, 15% of Yemenis and 10% of Moroccans have consumption levels which are no more than 50 cents per day above \$2 a day.
- **2.6 million** more people are projected to be in poverty because of the crisis by 2011.
- **17%** of the MENA region below \$2-a-day in 2005.

All dollar figures are in US dollar equivalents. **Updated April 2010**

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