

# **Table of Contents**

- 1. Executive Summary**
- 2. The Region Is Richer than It Is Developed**
- 3. The Arab World: Let the Numbers Speak!**
- 4. A New Way to Measure Human Development**
- 5. Arab Women Moving Fast, But Still Far to Go**
- 6. Arab Knowledge at Home - and Abroad**
- 7. Arab Economies Need Rapid Growth – from a Strong Knowledge Base**
- 8. Arab Governance: Citizens Getting Organized to Bargain**
- 9. Arab Cooperation: Once a Dream, Now Necessary to Survive and Compete**

## ***UNDP Releases the First Arab Human Development Report***

### **Executive Summary**

The Arab Human Development Report 2002 places people squarely at the centre, as both subject and object of development in all its dimensions: economic, social, civil, political, and cultural. It provides a neutral forum to measure progress and deficits, propose strategies to policymakers, and draw attention to country problems that can benefit from regional solutions. It is guided by the conviction that solid analysis can contribute to the many efforts underway to mobilize the region's rich human potential. The Report's key messages are simple and compelling:

There has been considerable progress in laying the foundations for health, habitat, and education. Two notable achievements are the enormous quantitative expansion in educating the young and a conspicuous improvement in fighting death. For example, life expectancy has increased by 15 years over the last three decades, and infant mortality rates have dropped by two thirds. Moreover, the region's growth has been "pro-poor": there is much less dire poverty (defined as an income of less than a dollar a day) than in any other developing region.

But there have been warning signals as well. Over the past twenty years, growth in per capita income was the lowest in the world except in sub-Saharan Africa. At an annual growth rate of 0.5% annually, if such trends continue in the future, it will take the average Arab citizen 140 years to double his or her income, while other regions are set to achieve that level in a matter of less than 10 years.

Labour productivity has been low and is declining. In fact:

- Total factor productivity declined at an annual average of 0.2% during 1960 – 1990, while it rapidly accelerated in other parts of the world.
- Compared to the Asian Tigers, per capita output was higher than the average of this group in 1960. Now it is half that in Korea.
- The productivity of Arab industrial labour in 1960 was 32% that of the North American level. By 1990, it had fallen to 19%.

The decline in workers' productivity has been accompanied by deterioration in real wages, which has accentuated poverty. It is evident that in both quantitative and qualitative terms, Arab countries have not developed as quickly or as fully as other comparable regions. From a human development perspective, the state of human development in the Arab world is a cause for concern.

Achievements by the Arab region on the Human Development Index (HDI) in the past decade were lower than the world average. Relative to other regions, the Arab world does better on income indicators than on development indicators. Thus it can be said that the Arab region is richer than it is developed. Although income poverty is low compared to other parts of the world, the Arab region is hobbled by a different kind of poverty - poverty of capabilities and poverty of opportunities. These have their roots in

three deficits: freedom, women's empowerment, and knowledge. Growth alone will neither bridge these gaps nor set the region on the road to sustainable development.

The way forward involves tackling human capabilities and knowledge. It also involves promoting systems of good governance, those that promote, support and sustain human well-being, based on expanding human capabilities, choices, opportunities and freedoms (economic and social as well as political), especially for the currently poorest and most marginalized members of society. The empowerment of women must be fully addressed throughout.

### ***The Foundations***

The people: The combined population of the 22 Arab countries covered by this Report was 280 million in 2000, 5% of the world. Arabs are younger than the global average: 38% are aged 0 -14. Migration within, from and to the Arab region is an important demographic feature, as is urbanization: half the population lives in cities compared to a quarter in 1950. Growth rates are still high: there will be between 410 and 459 million Arabs in 2020, with a slightly older age structure than that of today. The new demographic profile will present both challenges and opportunities for Arab countries. Population size, growth and age distribution can be either a demographic gift or a curse, depending on whether countries can use the human potential represented by their populations well enough to satisfy people's aspirations for a fulfilling life.

Health: People in most Arab countries live longer than the world average life expectancy of 67. However, disease and disability reduce life expectancy by between five and 11 years. Arab women have lower life expectancy than the world average, partly due to high maternal mortality ratios. Disability is higher for females than males, which points to women's health as a priority for policymakers. Some progress has been made in reducing mortality rates for children under five. The Arab region was the first in the developing world where most countries reduced mortality rates of under-five children to the target of 70 per thousand by 1990, well ahead of the global goal. But there still are large disparities among and within Arab countries in under-five mortality rates, with rural areas comparing unfavourably to urban ones. A major health challenge consists of high rates of halted growth, reaching 50% of under-five children in some poor and war-torn countries. Road accidents and tobacco are significant causes of death: 182,000 Arabs died from tobacco-related conditions in 1998. HIV/AIDS is lower than in other regions but is still a cause for concern. Most Arab countries spend around 4% of GDP on health, less than the middle-income country average of 5.7%. Vulnerable groups could be at risk in current health sector reforms.

Health systems in Arab countries generally focus on physical rather than mental or social health and hence they tend to neglect measurements for lack of comfort, lack of contentment and perceived health disorders. In many Arab countries, the elderly can be at a disadvantage as social security benefits for old people are very limited and insufficient.

Health systems also focus mainly on curative health in Arab states, especially at the secondary and tertiary levels. This leads to increased costs, especially with the resort to advanced technology; and leaves a significant proportion of the population without

adequate services. The challenge to health systems in many Arab countries includes not only raising overall standards but also ensuring greater fairness and fewer disparities.

Habitat: Fifteen Arab countries are below the water “poverty line” - less than 1,000 cubic metres per person per year. Land-based pollution is creating coastal zone degradation that is costing countries \$1 to \$2 billion a year in lost tourism. Cultivated land per capita in Arab countries dropped from an average 0.4 hectares in 1970 to 0.24 hectares in 1998. Conflicts and wars have aggravated pressures on the environment. In addition, there are environmental problems of global dimensions, with the erosion of the ozone layer at the forefront. There is an urgent need for environmental protection strategies to halt environmental degradation and promote cleaner production.

Education: Arab countries have made tangible progress in improving literacy: adult illiteracy dropped from 60% in 1980 to around 43% in the mid-1990s; female literacy rates tripled since 1970. Yet 65 million adults are illiterate, almost two-thirds of them women – this is not expected to disappear for at least a quarter century

As a group, Arab countries spend a higher percentage of GDP on education than any other developing region. By 1995, over 90% of males and 75% of females were enrolled in primary schools, and nearly 60% of males and nearly 50% of females were enrolled in secondary education. However, about 10 million children between 6 and 15 years of age are out of school. Enrolment rates in higher education remains limited to 13%. Though higher than the average for developing countries (9%), this rate is lower by far than those prevailing in industrialized countries (60%). Moreover, the share of girls is noticeably limited, at the third (higher) level. Despite the rise in the number of children enrolled in pre-primary education in Arab countries, enrolment ratios are below their counterparts for developing countries, especially for females. More vulnerable social strata such as women and the poor especially in rural areas, suffer more deprivation of education, a deprivation tending to be accentuated at higher education levels.

Downward pressures on government spending in the context of structural adjustment, together with inflation, the expansion of poverty and the introduction of educational fees as a cost-recovery measure, have had negative effects on the accumulation of human capital, with detrimental effects on the poor and women. The result has been a trend whereby quality education is increasingly available only for the well-to-do. Hence the loss of education’s hitherto significant role as a tool of social mobility in Arab countries.

There is evidence that the quality of education has deteriorated, implying a decline in knowledge acquisition and analytical and creative skills. The mismatch between the labour market and level of development on the one hand, and the system of education on the other, results in weak labour productivity, imbalances in the wage structure, the preponderance of unemployment and the decline of real wages for the vast majority. All this implies weak economic and social returns on education. If the present rate of progress is maintained, decades would elapse before illiteracy is eradicated or enrolment in education reaches the level attained by developed countries in the mid-1990s.

The economy, creating full employment and reducing poverty: GDP in all Arab countries combined stood at \$531.2 billion in 1999 (less than Spain at \$595.5 billion). Successful stabilisation in the 1990s led to low inflation and budget deficits, and governments have provided much growth-supporting physical infrastructure. Yet growth rates remain stagnant and overly vulnerable to oil price fluctuations. By 1998, the real income of the Arab citizen adjusted for purchasing power parity had on average fallen to 13.9% of that of the OECD citizen.

As noted earlier, Arab countries have the lowest level of dire poverty in the world (measured at less than \$1 a day), together with low levels of inequality. Nonetheless, one out of every five Arabs lives on less than \$2 per day. Poverty of capability is more pronounced as a result of the high rates of illiteracy, and inadequate access to quality education and learning.

Open unemployment in the Arab region was estimated to be no less than 12 million in 1995, around 15% of the labour force. If present rates continue, the number is expected to rise to 25 million in 2010.

There are pronounced institutional impediments to employment generation in Arab countries. Labour markets are traditional, severely segmented and dysfunctional, labour-market intermediation, through employment exchanges, is ineffective. Structural adjustment packages have also played a role by paying insufficient attention to reforms that build competitive, efficient labour markets, an essential requirement for growth.

The Report Team polled a cross-section of Arab youth. Job opportunities and education were amongst the main concerns of the young. In a worrying trend, 51% of older adolescents interviewed and 45% of younger ones expressed a desire to emigrate, clearly indicating dissatisfaction with current conditions and future prospects in their home countries.

The Team underscores the fact that cross-border and internal conflicts are serious obstacles to security and progress. The most pervasive is Israel's illegal occupation of Arab lands, which denies the most basic Palestinian human rights. Beyond this issue and more broadly, the human and material damages of conflicts, sanctions and embargoes and their impact on the progress of peoples and nations are incalculable.

### ***The Deficits***

An analysis of the global Human Development Index reveals that the range of disparity among Arab countries is almost as large as that for the entire world. Kuwait scores only slightly lower than Canada, the world leader, while Djibouti is close to Sierra Leone, the country with the world's lowest HDI value.

Given the importance of broader challenges to human development – such as those related to freedom, gender equality and knowledge acquisition – the Report Team asks: is it perhaps time to look beyond the limited measurement of human development as reflected in the HDI? In a personal contribution, the Report's lead author explores the parameters, methodology and impact of an alternative index that could be the starting

point for further research. The use of this alternative reorders the ranking not just of Arab countries, but of all countries.

Despite differences across the region, three critical deficits face all Arab countries: freedom; women's empowerment; human capabilities and knowledge relative to income.

Freedom: Using the freedom index to characterize the extent of freedom in Arab countries compared to the rest of the world, shows that out of the seven regions of the world Arab countries had the lowest freedom score in the late 1990s. This low level of freedom in the region is confirmed by another set of indicators of "voice and accountability". This set includes a number of indicators measuring various aspects of the political process, civil liberties, political rights and independence of the media. The Arab region has the lowest value of all regions of the world for voice and accountability.

Political participation in the Arab region is still limited compared to other regions in spite of noticeable improvements in some Arab countries in the last quarter century.

Civil society actors continue to encounter several external constraints in playing their role effectively. Bureaucratic constraints in the form of control of civic associations by public authorities present serious problems. The attitudes of Arab public authorities range from opposition to manipulation to "freedom under surveillance". The media is at best partly free.

Women's Empowerment: Utilisation of Arab women's capabilities through political and economic participation remains the lowest in the world in quantitative terms. Women occupy only 3.5 per cent of all seats in parliaments of Arab countries compared to 11% in sub-Saharan Africa and 12.9% in Latin America and Caribbean countries. In many countries of the region, women suffer from unequal citizenship and legal entitlements. In some countries with elected national assemblies, women are still denied the right to vote or hold office. And one in every two Arab women can neither read nor write. Society as a whole suffers when half of its productive potential is stifled. These deficits must be addressed in every field: economic, political, and social.

Knowledge: Over and above the capability gap caused by large-scale illiteracy and deficiencies in the education system, serious knowledge deficits include weak systems of scientific research and development, and low access to ICT. Scientific expenditure in Arab countries was less than 0.5% of Arab GDP for 1996, compared to 1.26% for Cuba and 2.9% for Japan in 1995. Investment in research and development (R&D) is less than one seventh of the world average. The Arab region also has the lowest level of ICT access of any world region: only 0.6% of the population uses the Internet, and personal computer penetration is 1.2%.

The digital gap between Arab countries and the advanced world has widened. This can be attributed to the nature of the Arab ICT industry, which is highly susceptible to monopoly and merger, the high costs of building infrastructure, the large Arab brain drain, and the growing imbalance in the distribution of wavebands between advanced and developing countries with regard to telecommunications. Cyberspace is becoming a crowded place and powerful players are taking up much of the room.

There are also information disparities between Arab states, even when levels of human development are similar. In addition, there are factors widening the digital gap within each Arab country, with language being the decisive factor. Current Arab policies to address the divide focus on infrastructure, especially in the field of communications. Although helpful, such attempts will not yield the desired benefits unless equal attention is paid to the element of content. Most of the material on the Web is in English, a language spoken by few in the region. The dearth of Arabic material on the Net will continue to deprive Arabs of the benefits of the information age even if access itself improves.

### ***The Way Forward***

The resources for development exist in the Arab region. The question is: where should they be placed to maximum effect? According to the 1996 Human Development Report, every country that sustained both human development and economic growth accelerated advances in human development first, or pursued both objectives simultaneously.

In the Arab region, three areas stand out as investment priorities: Building Arab capabilities and knowledge; using human capabilities through re-invigorating growth and productivity; and promoting good governance.

Building Arab capabilities and knowledge: Several strategies are proposed, beginning with the foundations. The Report calls on governments to ensure 100% enrolment in basic education, increase mandatory schooling to 10 years, support self-learning and life-long education, and forge tighter links between school life and the realities of life outside the schoolroom. It also points to the opportunity to further Arab cooperation in education, particularly in higher education, curriculum development, textbook production and teacher training – all areas where a common language presents advantages.

A key driver of change would be a transformation in attitudes and societal incentives to support greater creativity and innovation. The rules of the social game need to be modified to provide incentives for embracing change and to afford real opportunities for social recognition, renewal and advancement to those who work in areas of knowledge.

Investing in knowledge begins by setting a clear agenda for investment in science and technology and R&D. The share of R&D should be increased from the current less than 0.5% of GDP to 2% by the end of the decade. The region can capitalize on economies of scale while addressing pan-Arab concerns, for example, in areas relating to water scarcity, oil, health, codes and standards, and other common needs. Arab governments and institutions should tap the expertise of the one million highly qualified Arabs working in industrialized countries.

The region can build on recent country experiences in ICT - the Dubai Internet City, and the Smart Village in Egypt – in a drive to spread information and communication technology. In addition, the telecommunications sector must be reformed to guarantee

deregulation and open up competition to encourage local and foreign investors. Another priority area is investing in specialized computer personnel and Arabic-language software for general education, adult training, and life-long learning – linking this to the actual needs of the labour market. Most importantly, special efforts are needed to reach women through ICT and to invest in building up their expertise in this technology.

The Report argues that the most important component of the information industry, the element of content, has so far not been taken seriously by policy makers in the Arab world. Hence, it calls for concerted efforts to develop content in Arabic. It suggests that digitising aspects of cultural heritage such as text, film, music, radio and television recordings should become a priority. It argues that the way forward lies in giving Arab artists, professionals, scholars, students, entrepreneurs and other social groups incentives to publish and popularise their work on the Internet, rather than in trying to decree certain types of content. Freedom to choose what to publish and to associate with other users will drive the Arabization of information content faster and more surely than any type of compulsion. The media has already taken the lead in this respect by placing Arabic newspapers on the Web.

Using human capabilities by reinvigorating the economy: Achieving sustained and equitable economic growth is intimately connected with both the process and the goals of human development. Renewed growth is a necessary, although not a sufficient, condition to meet the challenge of employment, fully use human capabilities and overcome poverty. Reinvigorating Arab economies requires a multi-sectoral approach, and one that relies heavily on strengthening human development.

The report emphasizes the need to mobilize the private sector within an enabling policy and regulatory environment. In addition, the private sector should be engaged, together with government and academia, in R&D, and focus on human-intensive rather than capital-intensive R&D, particularly “knowledge sciences” such as information technology, mathematics, theoretical and device physics, and economics. Governments should disengage from productive activities while strengthening their regulatory role to ensure openness and competitiveness. The objective should be to encourage global and not just regional competitiveness. The bottom line is that domestic markets are too small to provide the basis for sustainable growth based on manufacturing and services. For this reason, the most viable response to globalization is openness and constructive engagement in which Arab countries both contribute to, and benefit from globalization. Hence the goal of inter-Arab integration has become critical, to survive and compete, including through creation of a customs union or a common market. Arab co-operation can bring added value if the region focuses on a small number of specialized centres of excellence in fields where distinctive capabilities exist. These include water desalination in the Gulf States, computer programming in Egypt and Jordan, the phosphate industry in Morocco and Tunisia, or petrochemicals in Saudi Arabia.

The legitimacy and strength of states and their institutions are inextricably linked to their capacity to mobilize and be mobilized in the fight against poverty. This implies that it is essential to mainstream human development and poverty reduction within national economic policy. Human development is vital to the region’s success in reinvigorating economic growth. The basic priority for policy in Arab countries is to



create a virtuous cycle whereby economic growth promotes human development and human development in turn promotes economic growth.

Policies that discourage employment creation should be reversed as part of a move towards full employment. Necessary actions include: monitoring the labour market and supporting measures for pro-poor human capital accumulation through education, training, and health care systems, and institutional reform.

There is also an urgent need to reverse the feminisation of unemployment by removing gender bias in labour markets, including gender-based occupational segregation and wage differentials, and by addressing gender gaps in the quality and relevance of education and training. Similarly, in efforts to strengthen local capacity to deliver micro-finance services beyond the less than 2% of poor households that can currently access financial services, priority must be given to women entrepreneurs. Overall, social safety nets must be expanded and transfer programmes increased from 0.2% to about 1% of GDP.

At the same time, steps need to be taken to ensure that growth does not harm the environment, and to work for environmental protection and regeneration, as called for by Arab environment ministers in the February 2001 Abu Dhabi Declaration.

The report acknowledges the destructive impact of conflicts. They are not only human disasters and sources of volatility and political instability; they are also a major constraint on high and sustained growth. Resolving these conflicts would obviously require a just and comprehensive resolution of the Arab-Israeli conflict, which is at the core of the region's political crisis. In addition, addressing the damage wrought by civil wars requires a fundamental rethinking of how to respond to, and reconcile, cultural and religious groups in the Arab world.

Enhancing social cohesion in the Arab world will not only yield large dividends for societies and economies; it will also help them to be resilient in the face of the increased economic shocks associated with globalization. Strengthening cohesion requires improving political rights and political, social and economic participation. It also calls for policies of inclusion and the expression of solidarity with the poorest segments of society.

Promoting good governance: Higher levels of human development cannot be achieved in Arab countries without improving key aspects of governance systems. This would require reforming the essence of governance: i.e. state institution; and activating the voice of the people. The most important of state institutions is that of representation and legislation which provides the basic link between the governance regime and the people. Liberating human capabilities in Arab countries requires comprehensive political representation in effective legislatures based on free, honest, efficient and regular elections. Reforming public administration is also a central and urgent task for Arab countries. Governments need to perform their functions as providers of public services and enforcers of contracts, in an effective, efficient and transparent manner. Public sector institutions need to be reformed to encourage private-sector investment and growth, to curb monopolies and to end graft and cronyism.

Legal reform should be at the core of institutional reform in Arab countries because the rule of law embodied in legal and judicial institutions, is the foundation on which all other societal and governance institutions are built, including fair and honest political representation and effective and responsive public administration. The reform needs to focus on ensuring that the law and associated administrative procedures guarantee citizen's rights and are compatible with fundamental human rights, particularly the rights to freedom of expression and freedom of association for all, under the aegis of a truly independent judiciary that impartially enforces the rule of law. The First Arab Conference on Justice pointed to the way forward in its 1999 Beirut Declaration for Justice.

Liberating human capabilities requires activating the voice of the people. This requires moving productively forward in three critical areas: strengthening institutions of local governance: liberating civil-society organizations: and fostering free and responsible media. Promoting local governance involves far more than the mere decentralization of central government control mechanisms. It should provide opportunities for more effective participation by local communities, particularly the poor, in combating poverty broadly defined, notably through efficient, pro-poor provision of basic services such as education and health care. In order to empower Arab civil society two reforms are essential. First, legal and administrative obstacles hampering the establishment and effective functioning of civil society institutions need to be removed. Second, civil associations themselves need to be transformed into widespread popular movements, undertaking sustainable collective action.

There are examples on which to draw in reforming the political institutions of the state, such as efforts to strengthen representative democracies in countries like Morocco and Bahrain. The most powerful example on which to draw in activating the voice of the people comes from the women's associations in the Arab world, which have effectively raised and lobbied against formerly taboo subjects.

Full respect for human rights and freedoms are the cornerstones of good governance that can unleash creativity and serve empowerment and participation, leading to human development.

Finally, the Report observes that the Arab world is at a crossroads. The fundamental choice is whether its trajectory will remain marked by inertia, as reflected in much of the present institutional context, and by ineffective policies that have produced the substantial development challenges facing the region; or whether prospects for an Arab renaissance, anchored in human development, will be actively pursued.

## ***The Region Is Richer than It Is Developed***

### **Some Real Gains Have Been Made**

“The Arab region has dramatically reduced poverty and inequality in the 20<sup>th</sup> Century. It can do so again in the 21<sup>st</sup>”, concludes the first ever *Arab Human Development Report*. The Arab HDR was compiled by an independent team of Arab experts and published by the UNDP Regional Bureau for Arab States with the Arab Fund for Economic and Social Development as co-sponsor.

Most Arab countries have already made good progress in many human development areas. For example, life expectancy has increased by 15 years over the last three decades, and infant mortality rates have dropped by two thirds. The region’s growth has been “pro-poor”: there is much less dire poverty (defined as an income of less than a dollar a day) than in any other developing region.

### **Yet Indicators Show Development Has Faltered..**

But there have been warning signals as well.

Over the past twenty years, growth in per capita income was the lowest in the world except in sub-Saharan Africa. At an annual rate of 0.5% , if such trends continue in the future, it will take the average Arab citizen 140 years to double his or her income, while other regions are set to achieve that level in less than 10 years.

Labour productivity has been low and is declining. In fact:

- Total factor productivity declined at 0.2% each year during 1960 – 90, while it rapidly accelerated in other parts of the world.
- Compared to the “Asian Tigers”, per capita output was higher than the average of this group in 1960. Now it is half that in Korea.
- The productivity of Arab industrial labour in 1960 was 32% that of the North American level. By 1990, it had fallen to 19%.

In both quantitative and qualitative terms, creative production leaves a lot to be desired. Though no official figures are available on the numbers of books being produced, indicators suggest there is a severe shortage of new writing. Trends in translation are also discouraging. The whole Arab world translates about 300 books annually, one fifth of the number that Greece translates. The cumulative total of translated books since the Caliph Mamoun, is about 100, 000, just about the number that Spain translates in one year.

### **Key Deficits Hobble Development**

It is evident that Arab countries have not developed as quickly as comparable nations in other regions. For the most part, the region lacks open and accountable governance. Women’s participation in the workforce, and in political and professional life, trails

behind the rest of the world. In spite of substantial progress in school enrolment, 65 million adults are still illiterate, almost two-thirds of them women; 10 million children are out of school. Investment in research and development is less than one-seventh the world average, and Internet connectivity is worse than in Sub-Saharan Africa. Inter-Arab cooperation remains an unfulfilled dream although it is vital to the region's ability to survive and compete. One in five Arabs still lives on less than \$2 a day

### Outlook and Obstacles

The Report team tries to probe the causes of such deficits, and identifies some deeply rooted obstacles in Arab institutional structures that are hindering performance and crippling human development. The report summarises them as three deficits relating to freedom, empowerment of women, and knowledge.

The barrier to better performance is not a lack of resources. The fact that “the region is richer than it is developed” underpins much of the analysis. The Report stresses that what the region needs to ensure a bright future for coming generations is the political will to invest in Arab capabilities and knowledge, particularly those of Arab women, in good governance, and in strong cooperation between Arab nations.

#### ***The Arab Region's 3 Deficits***

- *Freedom*
- *Women's Empowerment*
- *Human capabilities and knowledge relative to income*

To be effective, the Arab Region has to foster open and efficient governance, based on ethical imperatives as well as on religious and cultural traditions. Full respect for human rights and freedoms are the cornerstones of good governance that can unleash creativity and serve empowerment and participation, leading to human development. Governments should encourage people-friendly markets that allow for full participation and equal enjoyment of benefits, but they should maintain their role in the free provision of services such as basic health care and primary education.

Only then can the region progress in information technology, in education, in science and technology, and address the deficit in Arab capabilities and knowledge relative to income. In addition, only if the region addresses the obstacles to women's full participation in the economy and government can it begin to match levels of women's empowerment in other parts of the world and tap its full potential.

The Arab HDR notes that the Arab-Israeli conflict is a contributing factor to the region's democratic deficit, providing both a cause and an excuse for distorting the development agenda. The conflict disrupts national priorities and retards political development in the region as a whole, while directly repressing the development of the Palestinians living under occupation, as refugees, or in exile.

*All rights – including the right to shelter; to educational and health services; to work; to a clean and untainted environment; to a life free from war, fear and coercion; to governance as an expression of the collective will for internal justice and to gain access to the tools of information and knowledge – have been obliterated.*

Hanan Ashrawi  
Palestinian Legislative Council

Above all, the Report concludes that Arab Region needs to create “a virtuous cycle whereby economic growth promotes human development and human development in turn promotes economic growth”.

### **Why This Report?**

UNDP Administrator Mark Malloch Brown explains that it is “important to ask how the region is doing in allowing political voice to its citizens and in meeting the economic and social aspirations of all the men and women in the region”.

Beyond the immediate news of the day, the Arab region is at a cross roads where it can benefit from an independent stocktaking. As Assistant Administrator and Director of the Regional Bureau for Arab States Rima Khalaf Hunaidi points out, ‘an accurate diagnosis of a problem is an important part of the solution. The wealth of unbiased, objective analysis the Report contains is part of our contribution to Arab peoples and policy-makers in the search for a brighter future.”

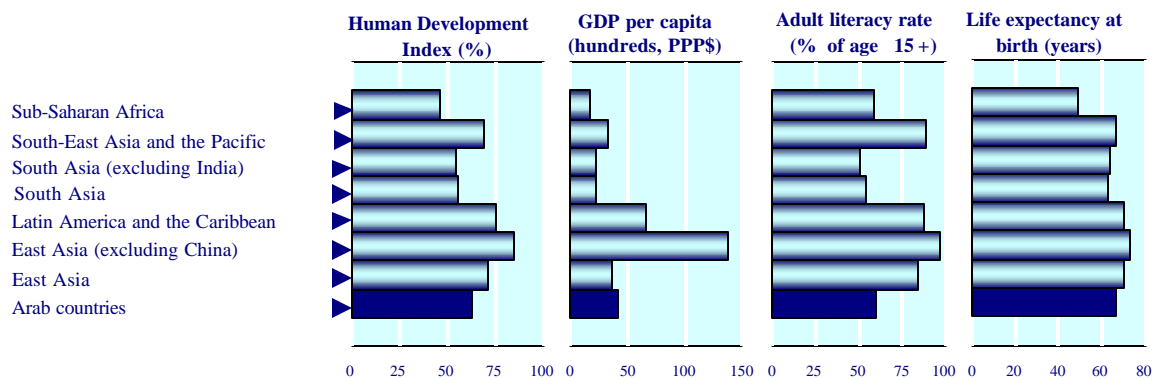
The Report was prepared by a team of Arab scholars, with the advice of a distinguished panel of advisers. As with all Human Development Reports, the conclusions are not in any way a statement of UNDP policy.

Administrator Malloch Brown notes. “It is independent experts from the region rather than UNDP who have placed their societies under a sympathetic but critical examination and have exposed weaknesses about themselves in a way that perhaps only Arabs should. So this is not the grandstanding of outsiders but an honest, if controversial, view through the mirror.”

## *The Arab World: Let the Numbers Speak!*

International agencies have different definitions for the Arab region: statistics are split between Asia and Africa, or non-Arab countries are included. For this report, the Arabs themselves decide who they are: the 22 members of the League of Arab States and their 280 million people.

There is a solid economic base for improving human development. Per capita income is still higher than that of most other developing regions. However, while Arabs outperform sub-Saharan Africa and South Asia in terms of human development, they rank below Latin America and the Caribbean as well as East Asia on the Human Development Index (HDI) in the Global HDR, as is seen in Figure 1.



**Figure 1:** Position of the Arab region vis -à-vis other regions in the world on human development indicators, 1998

The richest Arab countries owe their wealth to oil, but the Arab HDR suggests that this is a mixed blessing. Oil revenues are not always reinvested productively in the country, let alone in the region. And when such revenues are used in physical capital formation they contribute little to growth, as efficiency still suffers. As the Report notes, a very large investment in fixed capital formation of over 3000 billion dollars, over the past 20 years, has had poor returns in per capita income, which experienced the lowest growth rate in the world apart from sub-Saharan Africa.

Arab oil wealth also distorts the global perception of Arab progress. In fact, the GDP of all Arab countries combined stood at just US\$531.2 billion in 1999 – less than that of a single medium sized European country, Spain (US\$595.5 billion). Growth in the Arab region has been relatively static for much of the 1990s while other comparable regions have made modest progress.

***The GDP of all Arab countries combined (\$531.2 billion) is less than that of Spain (\$595.5 billion)***

Arab HDR 2002

There is a world of difference between Arab states, when it comes to human development, as Figure 2 reveals. Kuwait, the highest-ranking Arab country on the Global HDI, scored only slightly lower than Canada, which has often topped the Index.

However, the worst scoring Arab country, Djibouti, is not much better off than Sierra Leone, which has the world's lowest HDI value. Figure 2 reveals the spread across Arab countries.

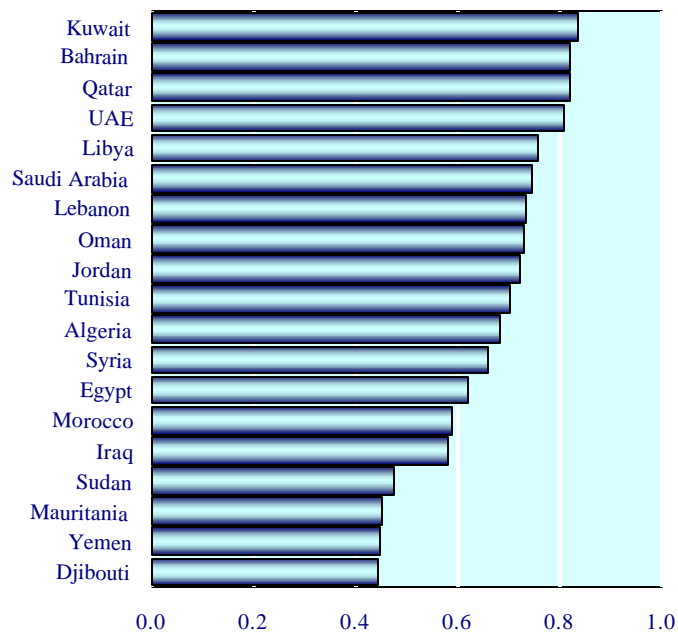


Figure 2: HDI value by Arab country

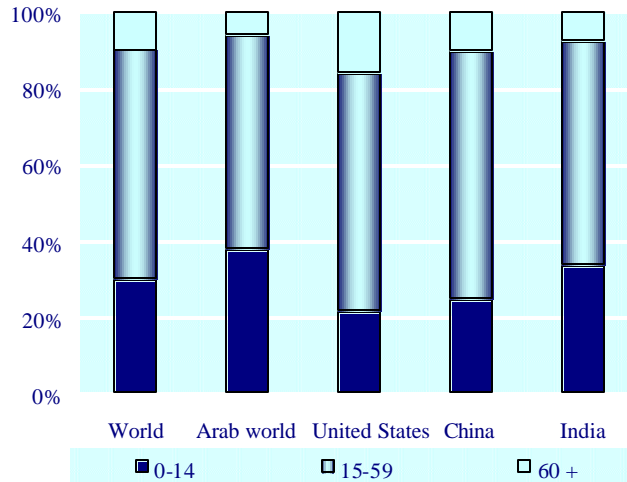
Even so, within Arab countries, the disparity between rich and poor is not as marked as in some other regions. The Report suggests that earlier social policies, the solidarity inherent in Arab culture and the tradition of aid for the poor, whether expressed politically or religiously, have led to less dire poverty in Arab countries than in some comparable regions.

Yet the challenges to improving Arab human development are significant. Within 20 years, the Report estimates that there will be at least 400 million people in the region and maybe even 450 million.

The region already suffers from a perennial shortage of water: Arab countries account for 15 of the 22 countries that the World Bank identifies as below the water poverty line of less than 1,000 cubic metres per person per year.

The deficit in human capabilities is grave: 65 million Arab adults are illiterate, two thirds of them women, and 10 million children are out of school. Only 0.6% of Arabs use the Internet, and spending on research and development (R & D) is one seventh of the world average. Arab unemployment, at 15%, is the highest in the developing world.

While the region has some of the most ancient civilizations in the world, Arabs themselves include the largest number of young people of any region. The age structure of the population is significantly younger than the global average, with almost 38% under the age of 14, as is clear in Figure 3.



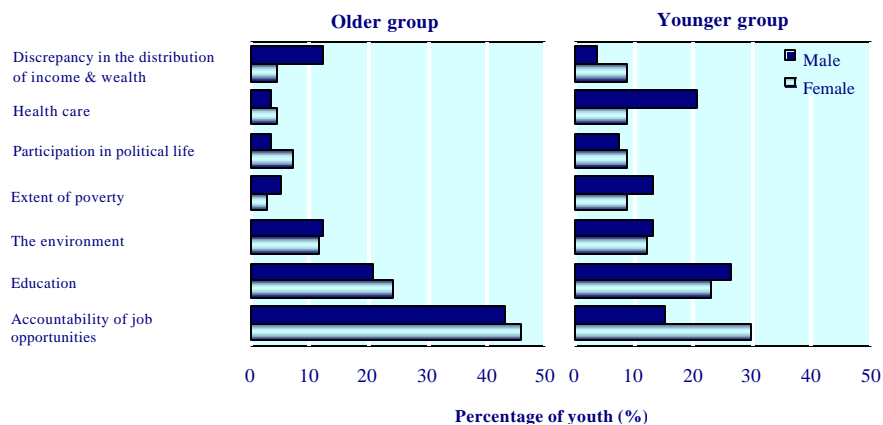
**Figure 3:** Age structure of the population of the Arab world and other countries of the world

However, if Arab youth are not given better opportunities, they will grow up stunted – literally in size - since in some countries more than half the population is stunted through malnutrition. They will also grow with stunted horizons compared to the rest of the world’s children, given low ICT connectivity and human freedom indicators.

Under these circumstances, while it is shocking, it is not surprising that a poll conducted by the Arab HDR team in 2001 showed that more than half of young Arab people surveyed wanted to emigrate to other countries, mostly to industrialized countries outside the region.

***Half of young Arabs polled want to emigrate***  
Arab HDR 2002

Jobs and education topped the list of concerns amongst the 13 – 20 year olds polled, with some differences amongst older and younger groups (Figure 4). These finding clearly indicate the dissatisfaction of Arab youth with current conditions and future prospects in their home countries. If these issues are not addressed, more young and qualified Arabs will join the million Arab experts who have migrated to other parts of the world.



**Figure 4:** Key issues for young Arabs



## *A New Way to Measure Human Development*

Since 1990, the UNDP *Human Development Index* published in the first Global HDR has challenged the idea that GNP growth is the same as development. The HDI put people firmly at the centre of analysis.

In the first pan-Arab version, the Report's editor Nader Fergany explores the possibility of a more comprehensive measurement, what he calls an Alternative Human Development Index. Fergany argues that the Human Development Index does not capture the rich content of human development, which is inextricably linked with human freedom. Human development is about the enhancement of capabilities and choices, as well as the freedoms that are essential for building capabilities and exercising choices. Knowledge is another important dimension of human development because it is a critical means of building human capability. Accordingly, Fergany presents his Alternative Human Development Index to capture these two essential elements of human development together with some other key dimensions. His personal essay is presented as a starting point for further research and statistical refinement. Fergany uses two of the factors in the original HDI – life expectancy at birth and educational attainment – and factors in the gender empowerment index, GEM, as computed by the Global HDR in 1995. He also adds three new factors:

- *A freedom score*, to express *enjoyment* of civil and political liberties, a universally sought objective, as well as to reflect the *freedom deficit* in the Arab region.
- *Internet hosts per-capita*, to reflect ICT connectivity and to reflect the *knowledge acquisition deficit* in the Arab region.
- *Carbon dioxide emissions per-capita* (metric tons), defined as a *penalty*, to reflect damage to the environment.

Moreover, Fergany deliberately excludes income in order to “de-emphasise the importance of average income as a measure of human development in general as well as to reflect the deficit of human capabilities relative to income in Arab countries”. He believes that all “countries, Arab or otherwise, that want to perform on human development” need to perform well on all the six factors in his Alternative Index.

### **Change in Ranks**

Applying this alternative calculation to 111 countries around the world puts Sweden on top, while Canada drops to No. 3 (instead of No. 1 of 174 countries as measured by the HDI in 1998). Other Scandinavian countries also do well, while the United States, the United Kingdom, and France do not make the top ten at all.

As expected, because income is excluded in the Alternative Index, the position of the Arab region deteriorates when this alternative calculation is applied as opposed to the traditional Global HDI. The changes in the position of the Arab region can be seen in Figure 1.

Of the 14 Arab countries included in the analysis, Jordan, Kuwait, Lebanon and the United Arab Emirates, in order, top the list of Arab countries, followed by Morocco and the Comoros, Egypt and Tunisia. Only Jordan and Comoros retain their relative placing on both the HDI and in the Alternative Index.

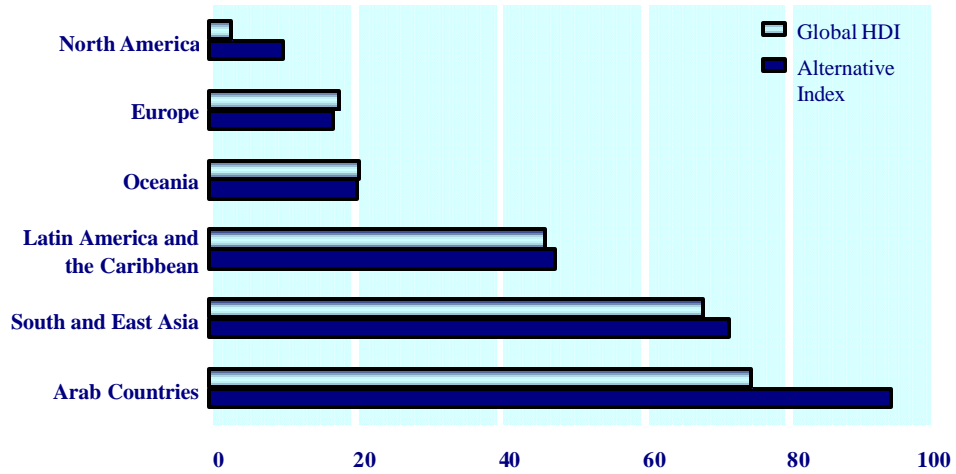


Figure 1: Average rank of world regions on the Global HDI vs. the Alternative Index

## *Arab Women Moving Fast, But Still Far to Go*

Arab women have made considerable progress over the decades. The Arab region shows the fastest improvement in female education of any region, with female literacy expanding three fold since 1970, and primary and secondary enrolment doubling. However, the region's performance is weak in terms of empowering women to seek and benefit from opportunities for economic and political participation.

In 1995, the Global HDR introduced the Gender Empowerment Measure (GEM) to measure the participation of women as reflected by income per person, women's share of professional and technical positions, and women's share of parliamentary seats. The Arab region's ranking is lower than any region except sub-Saharan Africa, as can be seen in Figure 1. The region has the lowest rate of women's participation in the work force and the lowest rate of representation in parliaments - women occupy only 3.5% of all seats in parliament. Poor levels of participation pull down the region's GEM ratings considerably.

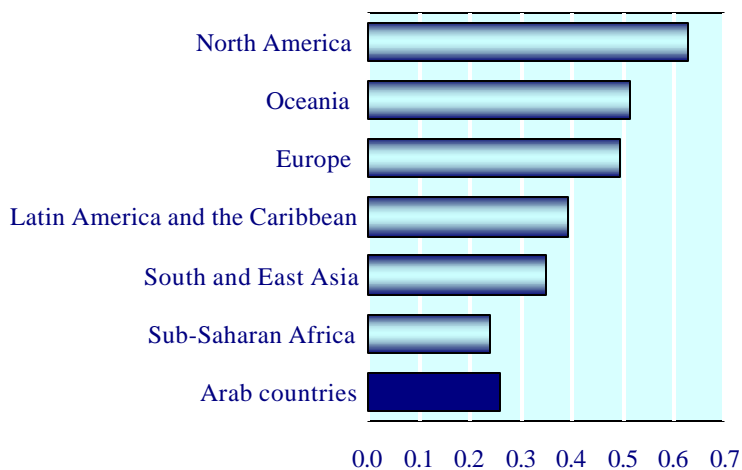


Figure 1 Average GEM values, world regions, 1995

However, even beyond those measures, Arab women have a long way to go, in spite of progress. More than half of Arab women cannot read or write. In addition, the maternal mortality rate is double that of Latin America and the Caribbean and four times that of East Asia. The Report suggests that prevalent ageism in the Arab world makes a double impediment for ambitious younger women.

### **Engendering Arab Development**

Sadly, the Arab world is largely depriving itself of the creativity and productivity of half its citizens. The Report notes that new computer technologies offer a whole new field for women to participate in the workforce, and play their part in developing the new, technologically based Arab economies on which future development depends.

It calls for reversing the feminisation of unemployment by removing gender bias in labour markets, including gender-based occupational segregation and wage differentials, and addressing gender gaps in the quality and relevance of education and skill-training programmes. It also identifies the need to give priority to women entrepreneurs when strengthening local capacity to deliver micro-finance services beyond the less than 2% of poor households that currently have access to financial services.

There are some encouraging developments. Both Jordan and Egypt made important amendments to their Family, Penal and Civil Status Laws in 2001. In Jordan, the legal age of marriage rose from 15 for women and 16 for men to 18 for both sexes. Legislative amendments to Article 340 of the Penal Code now stipulate that perpetrators of so called “honour crimes” are treated like other murderers. Jordanian women – for the first time – also have legal recourse for divorce, subject to certain monetary compensation and in Egypt, amendment Number 1 of 2001 to the Family Law challenges men’s unilateral right to divorce for the first time in recent history.

### ***Areas for Action***

- Ensuring use of ICTs by and for women
- Reversing the feminisation of unemployment
- Giving priority to women entrepreneurs
- Addressing the legal framework
- Signing – and implementing – CEDAW
- Increasing women’s political participation

However, eight Arab countries have neither signed nor ratified CEDAW, the Convention on the Elimination of All Forms of Discrimination Against Women. Women also suffer from unequal citizenship and legal entitlements. In some countries with elected national assemblies, women are still denied the right to vote or hold office. And one in every two Arab women can neither read nor write. The report argues that no society can achieve the desired state of well being and human development, or compete in a globalising world if half its people remain marginalized and disempowered. Development requires unleashing the energies of all.

## *Arab Knowledge at Home - and Abroad*

The Arab region has a great scientific past and has pioneered many of the methods now regarded as the root of “western” science. Unfortunately, today, far too much of Arab success in science and technology comes from the million highly qualified Arabs working in the industrialized countries.

### **Shaky Foundations**

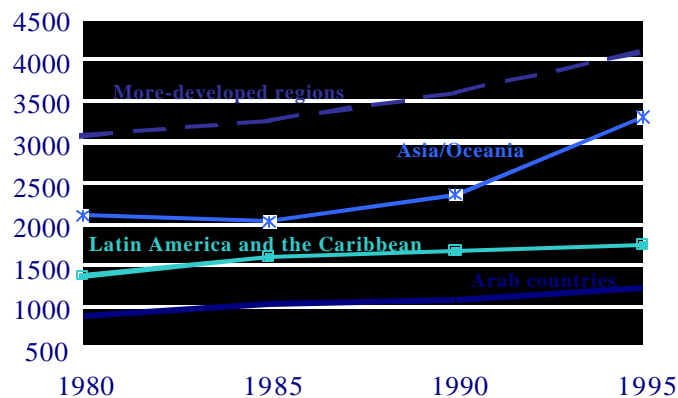
At home, knowledge is built on shaky foundations: 65 million adults are still illiterate, two-thirds of them women, while 10 million children are out of school. The Report stresses the need for improved basic educational levels as an essential foundation for the region’s participation in the modern knowledge based-economy.

Spending since 1995 has tapered off. In comparison with industrialized countries, spending per person on education in Arab countries dropped from 20% of that in industrialized countries in 1980 to 10% in the mid-1990s – in part as a result of misapplied structural adjustment policies that did not give enough attention to human development. As a result, educational enrolment at every level in the region suffers in comparison with other developing regions. Primary enrolment is not keeping up with the rapid expansion of the number of young people.

***The costs of ignorance are incalculably greater than the costs of improving education systems***

Arab HDR 2002

As Figure 1 shows, higher education enrolment is falling behind in terms of numbers compared to other world groupings, while the mismatch between education and the labour market is severe. And at every level including higher education, females are more likely to be left out.



**Figure 1:** Higher education students per 100,000 population, Arab countries and selected world groups, 1980-1995

The Report also calls attention to an emerging duality in Arab education systems: an exclusive private educational system enjoyed by the minority, and a government education system of lower quality for the majority. It suggests that education has begun to lose its significant role as a means of achieving social advancement in Arab countries, turning instead into a means of perpetuating social stratification and poverty. The answer is to put more resources into a reformed education system, and into affirmative action programmes that extend educational opportunities throughout Arab Society. “The costs of improving education systems may be substantial, the costs of perpetuating ignorance are incalculably greater,” the Report concludes.

An innovative example is the public-private sector partnership that established medersat.com in Morocco to promote schooling through integrated community development in rural areas, while respecting the students’ cultures and mother tongues.

### **Catching Up: R&D and ICT**

The Report gives several indications of the low investment in the region’s knowledge base, and the large and growing gaps between this and other regions. Rebuilding Arab science is not just an academic exercise. It is the key to opening the region’s economies to the modern world of knowledge-based industries. Current spending on R&D represents less than 0.5% of GNP compared to 1.26% for Cuba and 2.9% for Japan in 1995.

Another way to bridge the knowledge gap requires fostering an enabling environment. A key driver of change would be a transformation in attitudes and societal incentives towards creativity and innovation. The rules of the social game need to be modified to provide incentives for embracing change and affording real opportunities for social recognition, renewal and advancement, for those who work in areas of knowledge and advancement. The knowledge gap can also be reduced by rebuilding links with expatriate Arabs, setting up channels of communication with them and their work, and encouraging them to return to work in the Arab region.

As for information and communication technologies (ICTs), for political and economic reasons, only 1.2% of Arabs have access to computers, and only half of that number uses the Internet. Interestingly, all Arab countries except for Kuwait and the United Arab Emirates seem to be equal in their ICT poverty, irrespective of their HDI level (Figure 2).

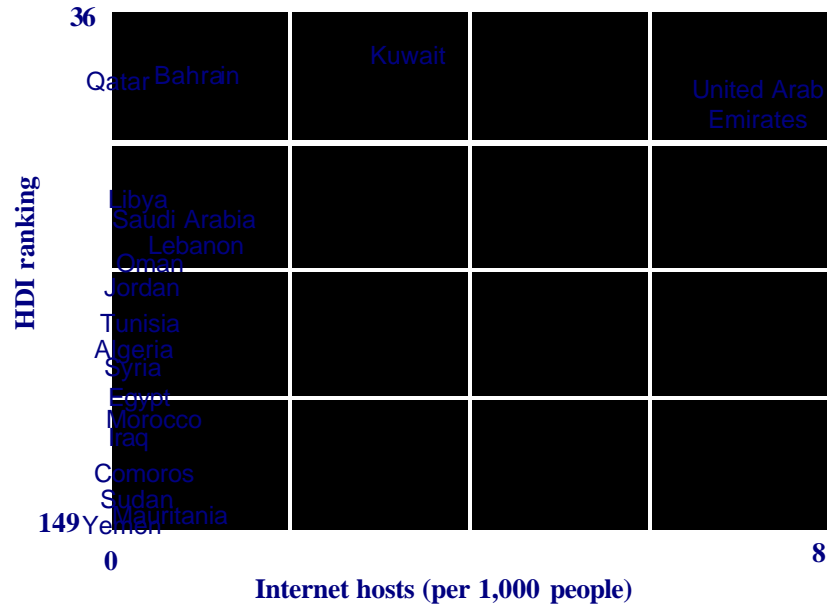


Figure 2: HDI ranking and Internet hosts by Arab country, 1998

An interesting contrast is that while personal computers are more widespread in the Arab region than in any other part of the developing world outside Latin America – the region has by far the lowest internet access and usage, as is clear in Figure 3.

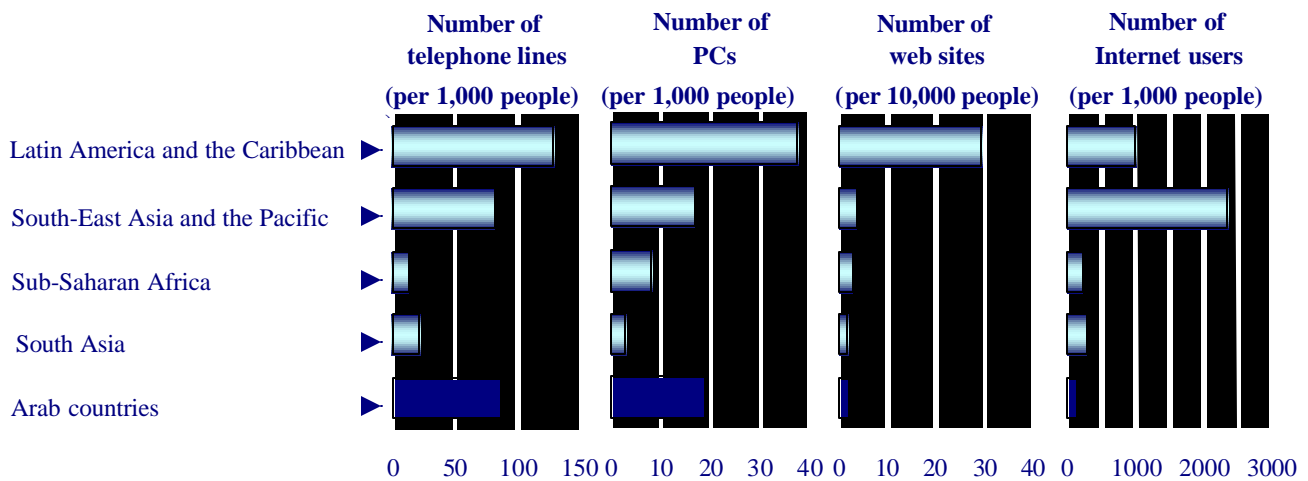


Figure 3: Indicators of the digital divide among Arab countries and developing world regions.

The Report argues that the most important component of the information industry, the element of content, has so far not been taken seriously by policy makers in the Arab world. Since most of the information currently available on the web is in English, a language spoken by few in the region, access will remain of little value. Hence, the Report calls for concerted efforts to develop content in Arabic. It suggests that digitising aspects of cultural heritage such as text, film, music, radio and television recordings should become a priority. It argues that the way forward lies in giving Arab artists, professionals, scholars, students, entrepreneurs and other social groups incentives to publish and popularize their work on the Internet, rather than in trying to decree certain types of content. Freedom to choose what to publish and to associate with other users will drive the Arabization of information content faster and more surely than any type of compulsion. The media has already taken the lead in this respect by placing Arabic newspapers on the Web.

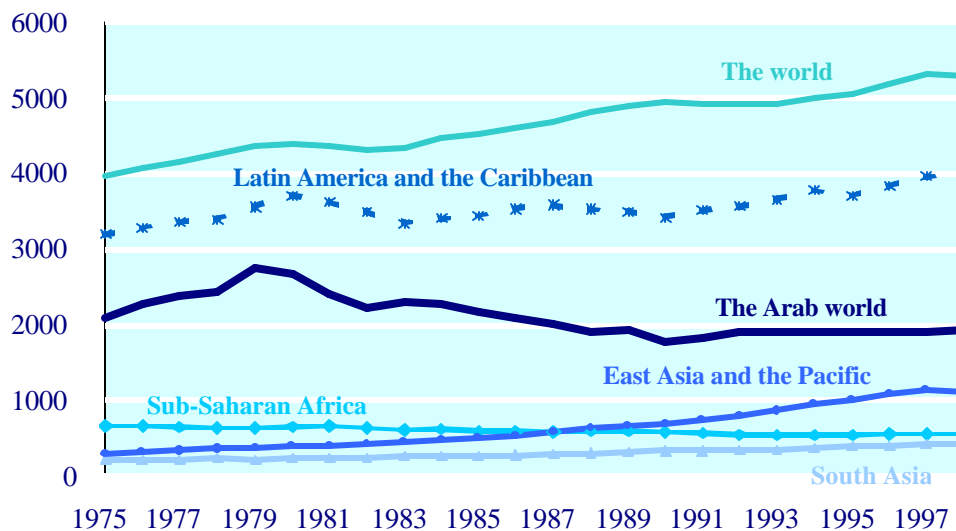
The Report concludes that lowering the cost of Internet Access is a priority for the Arab region. ICT offers a relatively cheap and cost-effective opportunity for education and expansion of knowledge, and for linking to the most advanced research institutions. It assists education, policy formulation and implementation. It improves administrative efficiency in offering services to business and the poor alike and provides new job opportunities, for previously marginalized constituencies like women. However, to take full advantage of the opportunities, Arab countries have to cooperate and coordinate to ensure interconnectivity, and to build regional centres of excellence.

The example of Dubai Internet City, up and running successfully within a year of its establishment in 1999 shows what can be done. With high political support and an infrastructure that has wired the Emirates schools, homes, and businesses, it has already succeeded in attracting leading international companies and will go beyond providing services by hosting R&D facilities.



## *Arab Economies Need Rapid Growth – From a Strong Knowledge Base*

The GDP in all Arab countries combined stood at US\$531.2 billion in 1999 – less than that of a single European country, Spain (US\$595.5 billion). The Arab economies as a whole have to grow at a rate of 5% per year simply to absorb the currently unemployed and the new entrants to the labour market. In fact, for some time they have only been growing at an average of 3.3%. In per capita terms, income has been growing at a mere 0.5% annually. By 1998, the real PPP income of the Arab citizen had on average fallen to 13.9% of that of the OECD citizen. Figure 1 shows the fluctuations in real GDP per capita.



**Figure 1:** Real GDP per capita (PPP\$), the Arab world and selected regions, 1975 – 1998 (OECD = 100)

Egypt, Jordan, Morocco, Oman, Sudan, Syrian Arab Republic and Tunisia have had a relatively significant improvement in average income. Countries suffering declines included Comoros, Djibouti, Iraq (1975–1990), Kuwait, Mauritania, Saudi Arabia, United Arab Emirates and Yemen while Algeria and Bahrain saw constant stagnation.

The region is still overwhelmingly dependent on oil, which makes up 70% of exports. Figure 2 shows the relationship between the annual GDP growth rate and oil prices. One result of dependence on oil is that, during a period when global exports have grown at 6% a year, the region's have only grown a quarter of that speed at 1.5%.

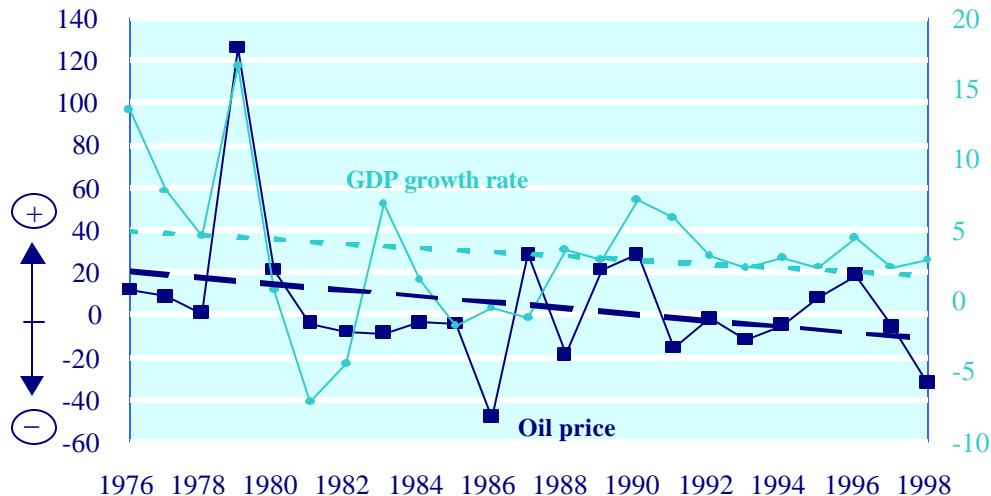


Figure 2: Annual GDP growth rate and oil price (1995 prices), the Arab world, 1976-1998

Not only have oil prices fluctuated, much of the oil revenue has been reinvested outside the region. Despite the role played by petrodollars in global finance, the Arab world remains comparatively cut off from financial globalisation, and the region's share of total net flow of FDI barely comes to 1% over the period, with a steady downward trend.

While outsourcing from firms in OECD countries has promoted the transfer of technology to Asian and Latin American subcontractors, thus contributing to the nurturing of the Asian Tigers, few Arab countries have benefited from the globalisation of outsourcing.

There have been some national successes in marrying business and new technology. Examples include: the technology of oil extraction and processing oil in Kuwait; water desalination in Saudi Arabia; and the design of sugar production lines in Egypt. But, overall, technological development is remarkably weak in the Arab countries.

### Governance and the Economy

In addition to the lack of skilled human resources for such investment, the Report identifies the lack of democratic and efficient governance as a major obstacle to economic growth. The Arab Region needs to abandon the vestiges of the old *dirigiste* approach and to foster private enterprise with “beneficial regulation” to curb both public and private monopolies. To do so, the Arab states need a transparent rule of law, a fair and fast legal system with a professional judiciary.

In tandem with the legal and governmental reforms, the Report identifies the development of business morality as one of the challenges facing the Arab countries. Without it, pervasive corruption follows from the weakness of the states' legal and institutional support for enterprise.

Equally stifling for entrepreneurship, the financial sector currently targets large-scale enterprises. The Report concludes that Arab financiers need to look at micro-finance schemes, which would tap less than 1% of their commitment, but would show profound economic and social dividends. This would also help to ensure that growth is pro-poor: currently, less than 2% of poor households have access to financial services. By contrast, people needing financial services and willing to pay for them are estimated to range from two to four million households. There is also a need to link large and small-scale enterprises.

In addition, the Report suggests that the region's long-term strategies should move from supporting employment in low-skill, low-productivity sectors to more skill-intensive and higher-productivity jobs. That would entail greater access to computers and the Internet, more support for education and R&D in the region – and better education and more access to the job market for Arab women. Most importantly, the countries of the region need to pool their resources to provide a home market that can sustain modern technological and knowledge based industries.

*It is imperative to increase development expenditure to benefit the sectors of education, health and scientific and technical research. In fact, giving the human factor its full value is imperative since development implies, first and foremost, the promotion of the human being and his/her active and responsible participation in the process of building a national economy, the fruits of which should benefit society as a whole.*

*Moreover, particular attention should be paid to the productive sectors (sectors that generate wealth, so as to ensure the sustainability of development), such as agriculture, small and medium industries, the construction sector and public works. In order to achieve such an objective, the private sector should be encouraged and public expenditure should be re-examined and rationalized.*

**Abdul Hamid Brahimi**

The Report also stresses that much of the Arab world lives on the edge – of deserts or of enclosed seas and waters – with consequent environmental vulnerability. It is essential to take steps to ensure that growth does not harm the environment, and to work for environmental protection and regeneration, as called for by Arab environment ministers in the February 2001 Abu Dhabi Declaration.

Similarly, a constraint to development that demands investment and planning is the shortage of water throughout the region, which is characteristic of almost all Arab states. In fact Arabs account for 15 of the 22 countries that the World Bank identifies as below the water poverty line of less than 1,000 cubic metres per person per year.

***15 Arab countries  
are below the water  
poverty line.***

**Arab HDR 2002**

Finally, the report emphasizes the promotion of social cohesion and tapping the potentials of all citizens as two essential elements for recapturing growth in the region. Social cohesion will depend on improving the political rights and increasing the political and economic participation of all through policies of inclusion. Social cohesion will not only return large positive dividends for societies and economies, it will also help them to be resilient in the face of external shocks.

## *Arab Governance: Citizens Getting Organized to Bargain*

Kofi Annan, the UN Secretary-General has said, “Good governance is perhaps the single most important factor in eradicating poverty and promoting development”.

The Report defines good governance as that which “promotes, supports and sustains human well-being, based on expanding human capabilities, choices, opportunities and freedoms (economic and social as well as political), especially for the currently poorest and most marginalized members of society”.

Compared with similar regions, the Arabs suffer from a “freedom deficit,” so that even when civil rights are enshrined in constitutions and laws, they are often ignored in practice. Popular political participation in Arab countries remains weak, as shown by the lack of genuine representative democracy and restrictions on liberties. The relative absence of women in government both reflects and exacerbates the lack of gender of empowerment.

Overall, Arab states have lower freedom indexes and lower voice and accountability figures than sub-Saharan Africa, as can be seen in Figure 1.

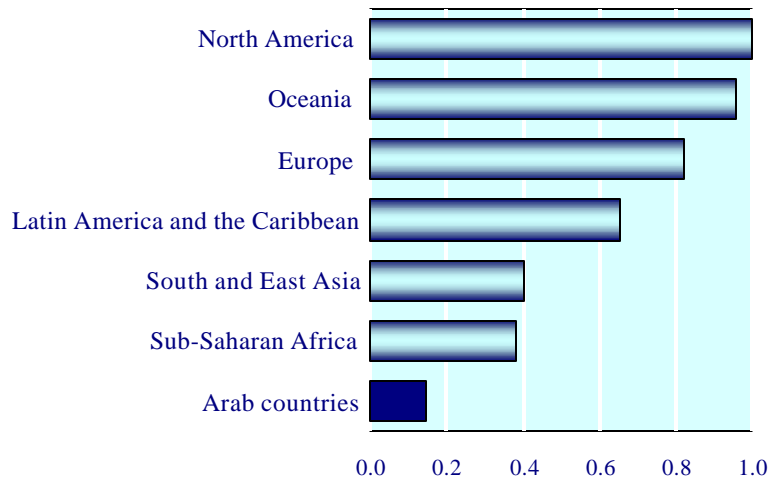


Figure 1: Average values of freedom scores, world regions, 1998 - 99

The Report identifies the undeveloped institutional state of the Arab region, which it ties partly to a shortfall in the business values of contractual reliability, trustworthiness, pride in quality and drive for excellence. It also suggests that diversity is at the core of democratic transition. As Clovis Maksoud puts it: “Any state that has not strengthened its national base through pluralism and diversity, and which has created internal conflicts while facing external pressures, will face a difficult existence. “

Attempts have been made to measure the quality of institutions, with the results compared to the level of the HDI shown in Figure 2.

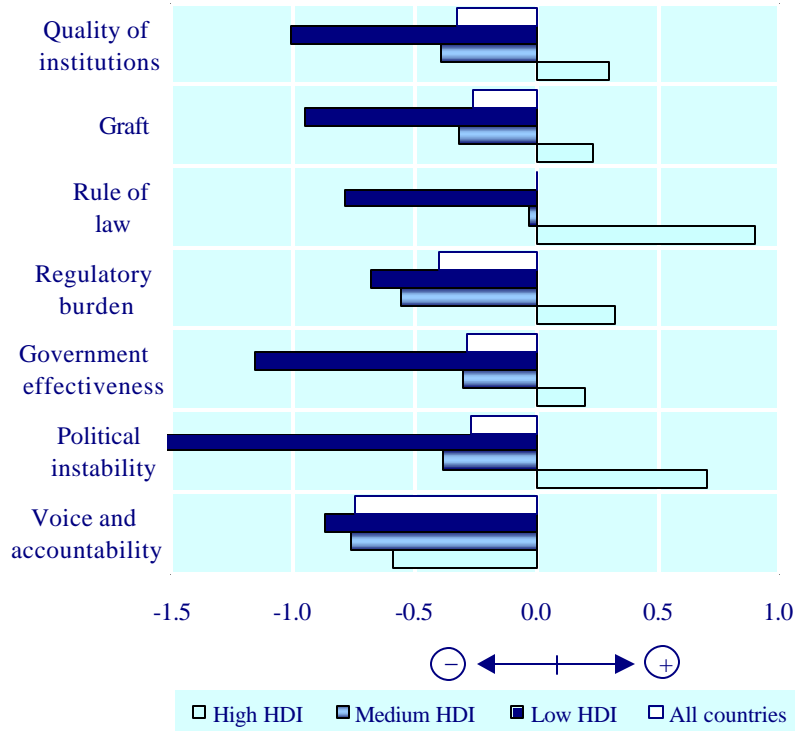


Figure 2: Quality of institutions in Arab countries by level of HDI

In the Arab region, the quality of institutions relating to various aspects of governance is below world levels. The region suffers notably in key areas such as how governments are created, selected, monitored, and replaced, as well as in their capacity to formulate goals and implement policy.

There is already a larger degree of freedom of expression and association in some Arab countries than was the case two decades ago. Kuwaitis and Qataris already elect their representatives in national assemblies while Bahrainis and Omanis have been promised this right in the near future. In addition, Bahrain's new National Action Charter, approved by a 98.4% majority in a national referendum, is a major step towards democracy, guaranteeing an extensive range of civil and political rights.

Across the region, with the growing importance of the private sector, citizens' access to knowledge and their growing aspirations have put the citizens in a stronger position compared with the state. Many governments previously offered guaranteed employment, subsidies and other inducements. Today, economic pressures have reduced their ability to offer such benefits. Governments increasingly need to rely on tax revenues to function, and this gives citizens more power to negotiate a greater voice in government. There are increasing signs of bargaining

*The essence of the modern state, which we have failed to establish to date, is what has come to be termed 'good governance.' A modern state is a state governed by the rule of law, and in which all citizens are equal before the law; it is a state where social coexistence prevails because it ensures equal opportunities to all citizens, providing them with options and enhancing their scope of knowledge.*

Leila Sharaf  
Former Senator, Jordan

between social constituencies and the state. The most powerful example on which to draw in activating the voice of the people comes from the women's associations in the Arab world, which have effectively raised and lobbied against formerly taboo subjects.

*Any society is  
only as free as  
its media is*

The report argues that action to improve governance in Arab countries would centre on reforming institutions and activating the voice of the people.

## ***Arab Cooperation: Once a Dream, Now Necessary to Survive and Compete***

Arab countries have what it takes to attain adequate living standards for all their people, but they need to achieve economic integration and deepen inter-Arab trade to overcome dependency and vulnerability and make globalization work for Arab interests.

The region needs greater regional cooperation because of the small size of most its individual markets and the increased leverage that a united front can give in trade relations with other trade blocs such as the European Union. The Report concludes that the Arab Free Trade Area is a step in the right direction, but adds the significant proviso “provided it lives up to its promise.”

Indeed, on paper, the Arab region is one of the most cooperative and integrated in the world in every sphere - defence, culture, economy, freedom of movement for capital goods and people. But not many of the agreements have been implemented or ever ratified by the Arab countries.

The League of Arab States is one of the oldest such regional bodies, and has many committees, conventions and agreements. So the areas for possible Arab cooperation are very well mapped, although not much travelled.

Despite all the agreements, inter-Arab trade accounts for no more than 7 to 10% of total Arab foreign trade, a figure that has not changed since the 1950s. Arab investment capital flows more to the industrial countries, rather than inter-Arab destinations.

### **Concrete Areas for Integration**

Based on a thorough analysis of the obstacles and the potential, the Report points to whole new areas for integration. For example, although Arab countries share a common written language, countries apply different standards for computer software, for Internet connectivity, and for mobile telephones. If the countries of the region are to benefit from economies of scale necessary to counter competition from other regions, then they need to coordinate to ensure inter-connectivity. The region could also maximize its R&D investments by enabling different centres to specialize in areas of comparative advantage. Examples include water desalination in the Gulf States, computer programming in Egypt and Jordan, the phosphate industry in Morocco and Tunisia, or petrochemicals in Saudi Arabia.

Higher education is an area where cooperation brings many advantages. Here as in other fields of education, the common language represents major advantages, for example, in curriculum development, textbook production, and teacher training. This shared language can become a means for Arab countries to catch up with the information train. Currently, the Arab world translates only about 330 books annually,

***Each year, Spain  
translates as many  
books as have been  
translated into  
Arabic in the last  
thousand years***  
Arab HDR 2002

just one fifth of the number that Greece translates. Each year, Spain translates as many books as have been translated into Arabic in the last thousand years.

The Report also stresses the need for cooperation on the environment, to settle potential disputes among Arab countries over the shared use of these resources, and to strengthen the Arab voice in global discussions.

Some success stories show that cooperation is possible. Among them are the initiatives supported by the Arab Fund for Economic and Social Development, the Arab Monetary Fund, the Arab Foundation for the Insurance of Investments, and several joint Arab production, financial and banking companies.

The Arab Fund For Economic and Social Development has funded electricity, road and communication networks. Connecting the electricity networks alone has reduced electricity sector investment requirements and increased usage and cut costs. Extending the network to all Arab States could create an Arab electricity market similar to those of Europe and North and South America. Similarly connecting the roads and railways would increase the flow of goods among Arab countries.

Above all, concludes the Report, the dignity and the freedom of the Arab people demand that countries join together to provide human services: health, education and training, particularly for girls and women and people living in rural areas, along with strong efforts to abolish illiteracy, especially in the less developed Arab countries.

Cooperation in financing and implementing such initiatives should be given priority in joint Arab action because they are at the heart of human development – and human development is at the heart of securing a freer, more secure and more fulfilled future for every citizen of all the Arab States.