

## Regional Forum

### “Addressing social and economic inequality: the need for a new paradigm”

## OUTCOME DOCUMENT

The Arab NGO Network for Development (ANND) in partnership with the Economic and Social Commission for Western Asia (UN-ESCWA) and the Arab Administrative Development Organization-League of Arab States (ARADO) held a Regional Forum on the 15<sup>th</sup> and 16<sup>th</sup> of June 2014 in Beirut, funded by the Dag Hammarskjöld Foundation and the Ford Foundation. The regional forum, entitled “Addressing social and economic inequalities: the need for a new paradigm” gathered around 130 participants, including representatives of non-governmental organizations, labor unions, international organizations, media institutions, experts and academics to discuss the key aspects of the economic and social challenges facing development in the Arab region. The following document summarizes the discussions and recommendations advanced for the post 2015 development process and reducing socio-economic inequalities in general

### Introduction

1. The Arab region witnessed since 2011 unprecedented upheavals movement aiming at dismantling authoritarian regimes and addressing economic and social inequalities. The reality today is far removed from the initial demands of dignity, freedom and social justice. Fact is, countries in the region still suffer from various impediments on freedom of expression, the military’s stranglehold, elections held amidst turmoil and security risks, propagation of armed gangs and the rise of radical religious movements. This affects nation-building and democratic development. For the participants, the essence of social contracts between States and their people is the cornerstone for development. This entails their reconsideration and the incorporation of community and policy dialogues involving various social actors. **The participants stressed on the need to involve Civil Society as a full-fledged development partner and to ensure an enabling environment which enhances its participation in dialogue and policy-making spheres.**

2. In Parallel to the Arab uprisings, the global debate on the Post-2015 and SDG processes is moving forward. The launch of the proposed set of goals and related indicators by September 2014 is a milestone, and will pave the way for the final adoption of the new post-2015 development agenda in September 2015. In this context, the participants corroborated the outcomes of the regional consultation meeting on post-2015 organized on March 2013<sup>1</sup> and considered that a reliable Post-2015 development agenda is not only about setting developmental goals and quantitative indicators; rather, the new development agenda must integrate transformative changes to global governance systems and to national policy choices in order to achieve development and to overcome the challenges of inequality, exclusion and vulnerability. This necessitates a shift towards a model centered on enhancing national productive capacities which require an enabling trade and investment architecture, a revision of the redistribution policies and the adoption of social policies that puts peoples’ economic and social rights at the forefront. In addition, they considered that the three proposed development pillars - the

<sup>1</sup> Declaration of Civil Society Organizations from the Arab Region on the Post 2015 framework, Regional Consultation on the Post-2015 UN Development Agenda, (Beirut, 14 March 2013) <http://www.annd.org/english/data/folders/117.pdf>

economy, the environment and social concerns - are not sufficient. What is needed is an expansion of the vision to include improved national governance as well as the cultural and religious aspects so that we can build an integrated development paradigm.

**3. On the international level**, the democratization of global governance is a must, with the aim of enhancing the participation of developing countries in decision-making processes and the promotion of mutual accountability with efficient and effective access to information. Changes should be introduced to the global financial architecture with a view to reverse the expansion of financial economy at the expense of the real economy and address financial volatility, debt crisis and economic recessions. Structural reforms are also needed in the trading system, in order to move from the principle of the open-market to the concept of Strategic Integration, which maintains a necessary margin for countries at the level of policy-making (related to trade), allowing them to support productive sectors, to create required jobs and to advance national development priorities.

**4. On the regional level**, Arab countries need to seek a model focused on enhancing national productive and industrial capacities and collective regional production chains that would carry a positive developmental impact over the region's geography and empower labor across it. This would in turn build the basis for a regional integration and development that is fundamental to establishing sustained expansion of markets across region and hence improves competitiveness at the global market level.

**5. On the national level**, the new model should strengthen the developmental role of the state in order to support the process of deep transformation in the economic structures. The latter have as a core objective supporting productive sectors, industry, building technological capacity, supporting an integrated and parallel shift in the social national structures aiming at ensuring social justice for all through fair redistribution of wealth, progressive taxation and provision of basic services. Yet, though ensuring social justice is central to the new development model, it should be comprehensive and centered on principles of, equality, equity, rights and participation<sup>2</sup>. The latter requires implementing transparent, inclusive and participatory mechanisms and ensuring citizen engagement models in restructuring governance and redesigning policies. This would allow achieving better distributive outcomes and strengthen democracy.<sup>3</sup>

**6.** This document outlines main issues and priorities with regard to the post 2015 development agenda that were raised during the workshop.

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### **7. The Trade and Investment frameworks in the new development paradigm:**

*A crucial component of the new development model should be a reformed trading system and a shift from the decade-old conundrum “**Liberalization for the sake of Liberalization**” to a “**Strategic Integration Concept**”. Inclusive, sustainable and redistributive growth as well as the enhancement of productive capacities would be at its center.*

<sup>2</sup> ESCWA defines social justice as a normative concept centered on the principles of, equality, equity, rights and participation. It builds on the two key principles: equal basic rights and equality of opportunity that must be of the greatest benefit to the least advantaged in society. Read more at [http://www.escwa.un.org/information/publications/edit/upload/E\\_ESCWA\\_SDD\\_13\\_TP-12\\_E.pdf](http://www.escwa.un.org/information/publications/edit/upload/E_ESCWA_SDD_13_TP-12_E.pdf)

<sup>3</sup> [http://www.escwa.un.org/information/publications/edit/upload/E\\_ESCWA\\_SDD\\_13\\_TP-12\\_E.pdf](http://www.escwa.un.org/information/publications/edit/upload/E_ESCWA_SDD_13_TP-12_E.pdf)

8. Investment and Trade trends promoted so far have revolved around economic growth that only benefits investors. In addition, bilateral and multilateral agreements signed by Arab countries are skewed unfairly. They enforce a wide array of protections of investors at the expense of citizens' entitled social and economic rights and national economic priorities. The agreements have been advanced and advocated for by the World Trade Organization (WTO). By way of policy advice and binding recommendations, it aimed at strengthening its promoted model namely, facilitating trade and overprotecting investors. Unfortunately, the current discussions on the post-2015 agenda remain insufficient to tackle these challenges, pointing at the WTO as the most effective tool for increasing the now-absent developmental impact of Trade. No mention was made of the potential impacts of a complete liberalization of domestic markets via the removal of the various trade barriers. However, on a global level, during discussions on alternatives for "just and comprehensive growth" no concrete propositions were put forward.

9. On the regional level, the Investment Agreements between Arab Countries signed originally to promote Arab trade integration are being modified which will lead to a loss of its main objective i.e. Arab integration; by reducing protections and thus reducing the space available for Arab countries to create a real business pattern.

10. Trade partners are still contributing to further trade liberalization while neglecting real development approaches. For instance, under the Deauville partnership umbrella, the EU aims at signing Deep and Comprehensive Free Trade Agreements (DCFTAs), with four Arab countries- Morocco, Tunisia, Egypt and Jordan- which will go further in removing tariffs and furthering the liberalization of trade in agricultural and manufactured goods, services and investment sectors. Such agreements will set their economies firmly on a path towards an export-led growth model. Likewise, the IMF's loans and advice to Arab countries are always colored by the goal of improving "the business environment" and increasing market flexibilities based on Washington consensus, i.e. phasing out subsidies, dismantling tariffs, broadening the value-added taxes, resuming privatization, and increasing public-private partnerships as means for increasing infrastructure investments. Such recommendations simply result in re-enforcing the economic choices promoted with previous regimes, while neglecting the proven inadequacy of such choices in addressing development challenges that Arab countries have been facing.

**This requires a deep reconsideration of the development model to enhance development-oriented trade and investment policies, through<sup>4</sup>:**

- ***Protecting development policy space of developing countries involved in trade liberalization agreements.*** This cannot be achieved through the inclusion of a sustainable development chapter or clauses but rather necessitates ensuring the integration of human rights and development considerations in decision-making in policy formulation, design, and implementation. In addition, these agreements must be designed in full partnership between the negotiating parties and not based on a template model that one party develops and the other signs on. The ability to regulate and re-regulate in various areas and sectors for the legitimate public interest purposes are fundamental to any prospective development process, and should not be restrained by investment and trade rules.

<sup>4</sup> <http://ecdpm.org/great-insights/trade-and-human-rights/democratic-transitions-eu-deep-comprehensive-ftas-mena-countries-possible-backlash/>



- **A radical shift in the approach to trade and investment policies to get out of the current trade model, which aims at liberalizing trade to the concept of strategic integration, which aims at building the production capacities and increasing the added value of national production at the regional level.**
- **Paying attention to the dangers of public-private partnerships in light of the weakness of public institutions in the Arab countries, which leads to an imbalance in these partnerships for the benefit of the private sector and threatens citizens' right to access public services due to the rising prices and doubts around its quality. Also, imbalanced PPPs put a huge financial load on public budgets.**
- **Organize the role of the private sector in the development process and adopt an international mandatory mechanism of human rights based on corporate social responsibility which ensures full compliance to Extra Territorial Obligations as described in the Maastricht Principles.** The former would necessitate business sector to regularly and publicly report on its investments' environmental and human rights impact, and identify steps to mitigate the risks.

#### ***More justice in redistribution policies: Taxation policies:***

**11.** The new developmental model must adopt policies for fair redistribution of wealth and resources through progressive taxation and providing all the necessary public services with a good quality and link it to fair wage policies which contribute to strengthening the participation of all social groups in the national economic cycle.

**12.** Taxes are crucial means for domestic resource mobilization and taxation is central to civility and a democratic understanding of citizenship through an enhanced accountability. Taxation enables the state to provide quality basic services and thus to ensure full enjoyment of economic and social rights by its citizens. Accordingly, progressive taxation occupies a central place in reducing inequalities and redistributing wealth equitably. Yet, several domestic and global challenges hinders the efficiency of tax, including "weak tax collection, rampant tax evasion, ...regressive tax incentives as tax exemptions, deficiencies in the enforcement of tax obligations, insufficient application of progressive income and capital taxes and low tax morale".<sup>5</sup>

**13.** There are similarities in the challenges to the tax systems in the countries of the Arab world, with the low proportion of tax revenues being a problem faced by the Arab economy. The proportion of tax revenues from the GDP ranges between 10% and 17%, which is low, and shared with most developing countries, compared to tax collection in advanced states, reaching up to 38% of the GDP. Tax systems in the Arab world are based on taxation to improve state spending or reduce the deficit and are not a result of economic and social foundations with a productive developmental outlook.

**In this context, the new development model should include an improved taxation system with tax equity at its center and as a core component to address inequalities. This should include:**

- ***Increasing fiscal transparency at the national level and ensuring access to information on tax collection and how revenue is spent.*** This should be further enhanced by legislative frameworks to ensure access to information and raising citizen awareness and understanding on fiscal transparency.
- ***Implementing progressive tax in order to address inequalities*** while generating revenue in an equitable way, taking a larger percentage from the income of high-income earners than from low-income individuals, the mobilized resources should be allocated to benefit the most disadvantaged in

<sup>5</sup> <http://www.cesr.org/downloads/fiscal.revolution.pdf>

**society. Promote the principle of tax equity and balance between taxes on individuals in the form of taxes on income and taxes on purchases on the one hand and taxes on companies and huge investments on the other hand.**

- ***Abolishing discretionary tax incentives and tax havens.*** Illicit financial flows, about 80% of which stem from cross-border corporate tax evasion and capital flight through tax avoidance.<sup>6</sup> This global hindrance to domestic resource mobilization should be curbed together through regular reporting of large companies on tax payments, along with their impacts on sustainable development and human rights.

#### **Social protection policies:**

**14.** *The new development model must be based on a new social contract with the recognition of social protection as a human right and as central to addressing inequalities and social injustice. Social protection policies must be at the heart of the development process and therefore it is necessary to ensure legislative and financial frameworks.*

**15.** States are legally obliged to establish social protection systems. This legal obligation derives from the right to social security which is enshrined in Article 22 of the Universal Declaration of Human Rights and in Article 9 of the International Covenant on Economic, Social and Cultural Rights. Despite the binding nature of social protection, the approach adopted so far in the Arab region is not a legal one; it rather adopts a fragmented and targeted approach. This approach restricts social protection policies to social safety nets and offers limited solutions which do not reduce poverty in a sustainable way. In the Arab Region, social protection schemes are fragmented, underdeveloped and insufficiently-funded. Moreover, these schemes only target those who can finance their subscriptions without presenting solutions for large social strata including: people dependent on the informal economy, unemployed, elderly, children or people with disabilities. More importantly, the government's inability to compel the private sector to follow local laws regarding minimum wage or social schemes presents a common deficiency in social policies in the Arab region. Providing social protection is an indicator of the democratization of a society, since a society which enjoys social security is certainly more able to make choices and to engage in democratic processes.

**Therefore the new development model must foster a new social contract that includes:**

- ***On the international level, the development of comprehensive social security systems is a global commitment. The international community is requested to provide adequate financial assistance and technical support to developing countries to build social protection systems or to expand the coverage of existing social security mechanisms and support policy dialogue in this area.***
- ***Invite the international community to insist on human rights based social protection floors' initiative and include within social protection policies. There is a need to adopt this initiative as a basis for other developmental processes and to not abandon it through fragmented approaches to social protection.***
- ***On the national level, a structural change in the approach is needed. There is a need to shift from the concepts of social safety nets, targeting programs and cash transfers in order to consider social protection schemes in a broad development strategy aimed at achieving universal coverage, social justice and the realization of human rights. There is a need to unify social protection schemes and ensure equality of services and coverage to the entire population.*** This change must occur while

<sup>6</sup> <http://www.cesr.org/downloads/fiscal.revolution.pdf>





keeping in mind that ***the social protection system is not a rentier system, it is a duty and an obligation that the state should provide to its citizens protection and dignity at different stages of their lives.***

- ***There is also a need to revisit the role of the state in relation to other partners in order to lead a social dialogue among various economic and social components including representatives of the business sector, civil society constituencies, trade unions, women movements, youth, cultural, and people with disabilities.***
- ***Increase social spending as a proportion of total government spending. Reform plans must be linked to the adoption and implementation of comprehensive and integrated social policy. Ensuring adequate financing for social protection policies should be based on sustainable economic choices, effective tax policies, enhanced governance and restructuring the subsidy system.***
- ***Adopt social policies that eradicate discrimination against women, guarantee their integration in the society and abolish the de jure and defacto gaps between men and women.***

### ***Labor policies and comprehensive social development***

The main pillar of any radical change in the development model and the basic indicator of the efficacy of economic and social choices remains the extent of their ability to create decent and sustainable jobs. In fact, the social economic model adopted so far in the Arab countries has led to high rates of unemployment, to the migration of young people and to the expansion of fragile and unregulated employment sectors.

**Therefore the new development model must establish labor policies based on the following principles:**

- Review the development model in order to enhance productivity options and develop manufacturing and agriculture sectors to generate decent and sustainable jobs.
- Apply decent work standards to which it adhered and that include securing the right to work, appropriate labor conditions terms and allowances, the protection of the right to form unions in addition to enabling unions to participating effectively in the formulation of public policy and in multilateral social dialogue.
- Secure decent working conditions for migrant workers to and/ from the Arab countries.

### ***Cross-cutting issues:***

***The new development model should foster gender equity, peace and the right to self-determination.***

While the Post-2015 Development Agenda is underway, rights organizations and feminist movements are pushing for a development framework based on human rights, gender equality and economic justice. Concerning the Arab region, women have always been at the heart of citizens' movements and activities; they have played key and active roles in recent revolutions and uprisings that advanced ambitions and hopes about establishing new social contracts and national development projects. Arab women sustain their struggle for participatory national economic and social public policies based on the principles of sovereignty, equality and justice and the right to development.



Nevertheless, although all Arab States have signed and ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), gender-based disparities are common in the region on political, cultural, social and economic levels. Therefore, it is decisive to include women's rights and gender equality in the post 2015 process through:

- ***Recognizing women's civil, political, economic, social and cultural rights, undertaking special measures to promote these rights and combating all kinds of discrimination and violence perpetuated against them.***
- ***Adopting a systematic approach to the principle of gender equality in all aspects of the development agenda, while recognizing women as key leaders and active elements in social and economic transition, not only beneficiaries.***

Conflicts have long been a reality of the Arab region, as long as the quest for peace and security. The former resulted in limitations on states capacities to progressively fulfill the obligations in the field of economic and social rights. Moreover, they have lead to the focus on narrow security agendas and rehabilitation related to immediate needs resulting from conflicts instead of building comprehensive human security approaches that integrate long-term development policies. Expenditure on militarization (as a percentage of GDP) is amongst the highest in the world, compared to low resource allocation to ensuring social and economic development. Accordingly, the vast discrepancy in resource allocation will undermine the government's ability to effectively realize these rights. The lack of peace and security is also linked to foreign occupation. The continued Israeli occupation of Palestine and its expansionist policies is not only a clear violation of international law but also a violation of the right to development resulting in devastating impact on peace, stability and development in Palestine and the surrounding countries.

- ***While the current discourse on post-2015 process refers to peaceful societies, it is evident that a clear reference to the right to self-determination is a must, as development cannot take place without freedom of individuals and of nations.***