

**Economic and Social Commission for Western Asia (ESCWA)**

Committee on Social Development
Fifteenth session
Cairo, 3 June 2024



Item 8 of the provisional agenda

Reducing inequality in times of crisis**Summary**

The Arab region has suffered multiple and overlapping crises since the adoption of the 2030 Agenda for Sustainable Development and its Sustainable Development Goals. Conflict, war, and occupation, economic crises, institutional crises, and climate crises all threaten to undermine hard-won development gains. In many instances, crises overlap and interact to devastating effect to exacerbate the impact felt by populations, in a phenomenon known as a polycrisis.

However, the impact of crises is not universally felt. Countries and individuals with greater economic and social capital will more easily weather crises, whilst the less fortunate may instead find themselves trapped in poverty, with only negative coping mechanisms available. This document examines the risk of polycrisis in the Arab region, and the relationship between polycrisis and multidimensional inequality, using a novel framework developed by the Economic and Social Commission for Western Asia (ESCWA) to measure inequality in many forms.

The Committee on Social Development is invited to review the document and make comments, suggestions, and recommendations thereon.

Contents

	<i>Paragraphs</i>	<i>Page</i>
Introduction	1–9	3
<i>Chapter</i>		
I. Multiple crises affecting the Arab region.....	10–39	4
A. Conflict, war and occupation.....	11–18	4
B. Economic crises.....	19–24	6
C. Institutional crises.....	25–30	8
D. Climate crises	31–39	9
II. Introducing the polycrisis.....	40–41	11
III. Measuring polycrises.....	42–49	11
IV. Measuring inequality	50–60	14
V. How do the risks of polycrisis and inequality interact?.....	61–65	17
VI. Policy recommendations.....	66–86	18
A. Reducing inequality between countries	67–70	18
B. Reducing inequality within countries	71–76	19
C. Tailored policies for countries in special situations	77–80	20
D. Financing mechanisms at national level.....	81–86	20

Introduction

1. In 2023, a succession of crises affected the Arab region. In February, a series of deadly earthquakes struck the Syrian Arab Republic, killing an estimated 6,000 people and leaving up to 9 million people homeless, and without drinking water, electricity, or fuel for heating in freezing cold temperatures.¹
2. In April, fighting broke out between the Sudanese Armed Forces and the Rapid Support Forces in the Sudan. Seven months on from the onset of violence, more than 10,000 people had been killed, 5.6 million people had been displaced, and Sudan's delicately negotiated transition to peace and democracy remains under serious threat.²
3. In September, two natural disasters hit the region: an earthquake in Morocco and floods in Libya. The earthquake in Morocco killed 3,000 people and injured a further 5,530. It flattened many remote mountain villages and left others inaccessible due to rockfalls across access roads. In Libya, Storm Daniel burst dams and caused massive flooding that killed over 11,000 people and left 10,000 unaccounted for,³ and is estimated to have caused \$19 billion in losses to buildings and infrastructure.⁴ It destroyed critical infrastructure in a region inhabited by 884,000 people, including 353,000 children, leaving many without access to electricity or water.⁵
4. The year ended with the outbreak of a war on Gaza. The degree of death and destruction which ensued has been unprecedented in recent times. By 18 March 2024, over 31,000 Palestinians had been killed in Gaza, 70 per cent of them women and children. A further 1.9 million people (85 per cent of the population) had been displaced, some of them more than once, and famine was imminent, with 1.1 million people facing catastrophic levels of food insecurity.⁶
5. At the same time, existing threats from multi-year droughts and water scarcity, long-standing conflicts, hyperinflation, collapsed currencies, and institutional instability continue to affect societies, economies, and households.
6. In many cases, crises did not happen in otherwise healthy economies and societies. Many of the crises were either triggered by other crises, themselves triggered other crises, or interacted with other existing crises to devastating effect. For example, the flooding in Libya overlapped with a long-standing conflict and institutional crisis, which has reduced investment in and maintenance of critical infrastructure, early warning systems, and emergency response units. Governance challenges heightened the impact that the floods had on human suffering.⁷
7. The severity of these multiple and overlapping crises has triggered unprecedented humanitarian needs, and caused available humanitarian assistance to be increasingly thinly distributed. In 2023, 93 million people in the Arab region were in need of humanitarian assistance. This equates to an increase of almost 5 million people over the year, and just over a quarter of the global population of people in need of humanitarian assistance. However, despite an increased financial need for humanitarian assistance over the year, the amount of financing received fell compared with 2022. Less than one third of the \$21 billion required to provide

¹ [E/ESCWA/CL3.SEP/2023/Policy brief.1.](#)

² Global Conflict Tracker Center for Preventive Action, [Civil War in Sudan](#), 2023.

³ Carnegie Endowment for International Peace, [Climate Change, Conflict, and Corruption: Reflecting on Libya's Catastrophic Floods](#), 2023.

⁴ Data Friendly Space, [Libya Hurricane Daniel: Situation Report 2 - 27/09/2023](#), 2023.

⁵ UNICEF, [Devastating floods in Libya](#), 2023.

⁶ UNRWA, [UNRWA Situation Report #49 On the Situation in The Gaza Strip and The West Bank, Including East Jerusalem](#), 2023.

⁷ UNU, [Libya Flood Reveals Disaster Prevention Deficit in Fragile States](#), 2023.

humanitarian assistance to 93 million people in the Arab region was received in 2023, forcing humanitarian agencies to reduce deliveries of food, water, and medical relief. In 2024, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) predicts that 30 per cent of people in need globally will be from the Arab region.⁸

8. Not everyone suffers equally in times of crisis. While humanitarian needs grow for some, others profit from concentrated economic and institutional power, causing widening inequality and necessitating deliberate policy interventions to redistribute resources and protect equality. Such policy interventions are challenging, especially during conflict or institutional crises, but they are critical to prevent inequality from spiralling out of control.

9. This document will introduce the principal crises experienced in the Arab region in 2023. It will then introduce the concept of the polycrisis, before introducing a multidimensional measure of inequality and assessing how multidimensional inequality relates to the risk of polycrisis. To see how the risk of polycrisis and multidimensional inequality have evolved over time, 2015 (the start of Agenda 2030) and 2021 (the most recent year with a full dataset available) have been used for comparison. The paper will conclude with policy recommendations on how to reduce inequality in times of crisis.

I. Multiple crises affecting the Arab region

10. The four most pressing varieties of crisis that the Arab region faces are conflict, war and occupation; economic crises; institutional crises; and climate crises.

A. Conflict, war and occupation

11. The Arab region is the least peaceful region in the world.⁹ Four of the ten least peaceful countries in the Global Peace Index are Arab countries,¹⁰ while only three Arab countries¹¹ are among the fifty most peaceful countries. The total cost of violence¹² across the Arab region is \$695 billion, or \$1,497 per person, per year.¹³ For the four Arab countries in the bottom ten of the Global Peace Index, the cost of violence amounts to \$213 billion, or \$1,446 per capita¹⁴. Given that three of these four countries are low-income countries, this is an enormous per capita cost.

12. The relationship between conflict, war and occupation and inequality in the Arab region is complex and multifaceted. Conflict can contribute towards social, economic, and political inequalities through subdued economic growth, the destruction of livelihoods and infrastructure, mass displacement, diverted government expenditure, and the disruption of basic social services provision.

13. During periods of conflict, the first source of inequality comes from loss of life. Frequently, this is most acutely felt by vulnerable families and individuals who are either on the frontlines of war or unable to escape to a safer shelter. People who are reliant on the land, or who have no moveable assets or savings in banks, are

⁸ OCHA Humanitarian Action 2022, OCHA Humanitarian Action 2023, and OCHA Humanitarian Action 2024, and ESCWA calculations.

⁹ Calculated using the Global Peace Index and adjusting the MENA reading to the Arab region.

¹⁰ Yemen, the Syrian Arab Republic, the Sudan and Iraq sit in the Global Peace Index's ten least peaceful countries.

¹¹ Qatar, Kuwait, and Oman sit in the Global Peace Index's fifty most peaceful countries.

¹² This cost includes costs to people and governments from violence (for example, medical, security, and reconstruction expenses, and the cost to the judiciary), and forgone costs from lower wages or productivity. It does not include the multiplier effect: how these funds could benefit the economy if they were invested in more productive sectors.

¹³ Calculated using the Global Peace Index and adjusting the MENA reading to the Arab region.

¹⁴ Calculated using the Global Peace Index and adjusting the MENA reading to the Arab region.

also highly vulnerable to losing all their belongings in a conflict zone, and have limited options to support themselves and their families elsewhere.

14. Conflict fuels displacement and forced migration. Displaced populations often face limited access to basic services, precarious living conditions, social exclusion, and heightened vulnerability as a result. More vulnerable populations often face the greatest deterioration in living conditions, and this heightens inequality.

15. Drops in economic activity due to the destruction of infrastructure and capital limit the opportunities available to many to secure alternative livelihoods throughout the conflict.

16. The redistribution of government resources away from investments in health care, education and social protection and towards military expenditure has a direct and negative impact on inequality. The wealthy are less dependent on the foregone social services, while the more vulnerable frequently see their opportunities diminish alongside reductions in social investments. With lower levels of financing and delivery of healthcare, education, and social protection, vulnerability is exacerbated, social mobility is halted, and inequality can become entrenched.

17. However, inequality can also be a source of conflict. When marginalized communities face exclusion, discrimination, and limited access to resources, grievances can emerge, contributing to social unrest. The unequal distribution of wealth, power, and opportunities can create tensions and fuel demands for change, sometimes leading to conflicts and even war.

Box 1. Yemen's conflict crisis

Nine years of conflict and siege in Yemen has triggered economic and institutional crises. Fighting over Yemen's natural resources and control of trade infrastructure, such as ports, has accentuated the economic crisis that is frequently associated with conflict, and has resulted in the sharp depreciation of the national currency. In 2021, the economy was thought to be half the size that it would have been if no conflict had taken place.

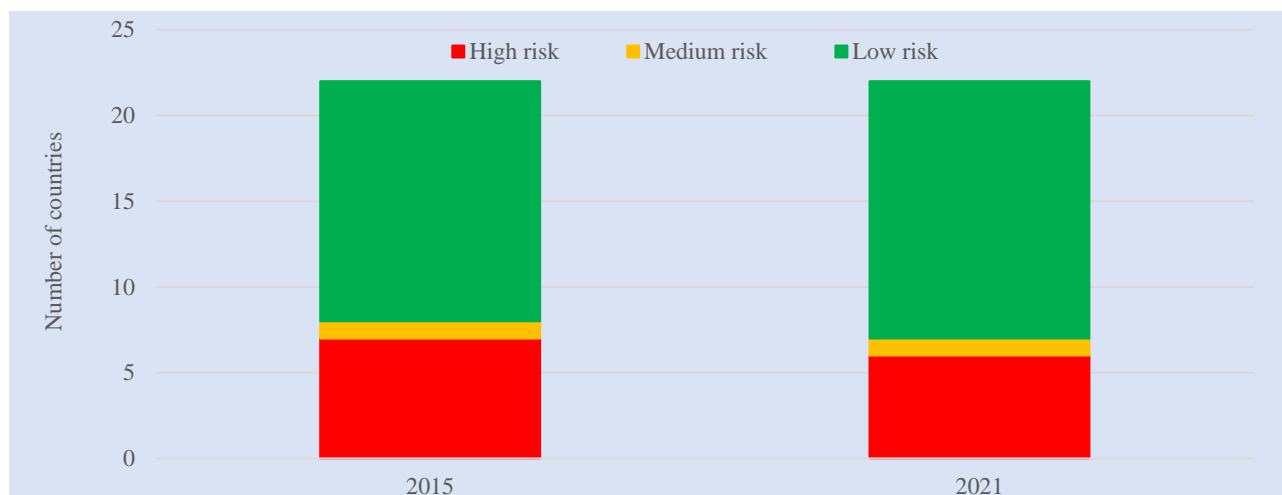
The combination of the conflict, which has damaged key infrastructure, prevented the provision of basic services, and limited the imports and accessibility of basic goods, and economic collapse, which has severely eroded the affordability of basic goods for much of the population, has resulted in a dire humanitarian situation. Between 2014 and 2021, there were 377,000 excess fatalities in Yemen, 70 per cent of which were children under the age of 5, and 60 per cent of which were not due to the conflict itself but due to indirect effects such as lack of access to food, clean water and healthcare.

The overlapping and reinforcing crises have also resulted in 20 million people (65 per cent of the population) living in extreme poverty, 17.4 million people being malnourished, and 6 million people being at risk of famine.

Despite a respite in fighting in 2023 due to a ceasefire negotiated by the United Nations, 21.6 million people remain in dire need of humanitarian assistance.

Sources: UNDP, [Assessing the Impact of War in Yemen: Pathways for Recovery](#), 2021; UNHCR, [Yemen Crisis Explained](#), 2023.

18. Figure 1 shows how the risk of a crisis in conflict remains persistently severe across the Arab region. Of the seven countries that were at high risk of conflict, war, and occupation in 2015, six remained so in 2021, reflecting the prevalence of unresolved and prolonged conflict across the region.

Figure 1. Risk of crises in conflict, war and occupation

Source: ESCWA calculations.

B. Economic crises

19. Economic crises often exacerbate existing inequalities and can have far-reaching social and political implications. At the individual level, economic crises often lead to job losses, reduced wages, and increased poverty rates. The Arab region has the highest rate of unemployment in the world; it is also the only region where poverty is increasing.

20. At the institutional level, economic crises often lead to reduced government revenues, austerity measures, and cuts in public spending. This can result in a decline in the provision of social services such as health care, education, and social protection. Disadvantaged communities, which rely heavily on these services, are disproportionately affected, and social and economic inequalities increase.

21. Lower human productivity, because of cuts in social services, and reduced employment opportunities, because of negative economic growth, can further exacerbate inequality by limiting opportunities for upward mobility and trapping individuals and communities in cycles of poverty. The erosion of job prospects, reduced access to education and training, and a lack of economic opportunities make it harder for individuals to improve their socioeconomic status.

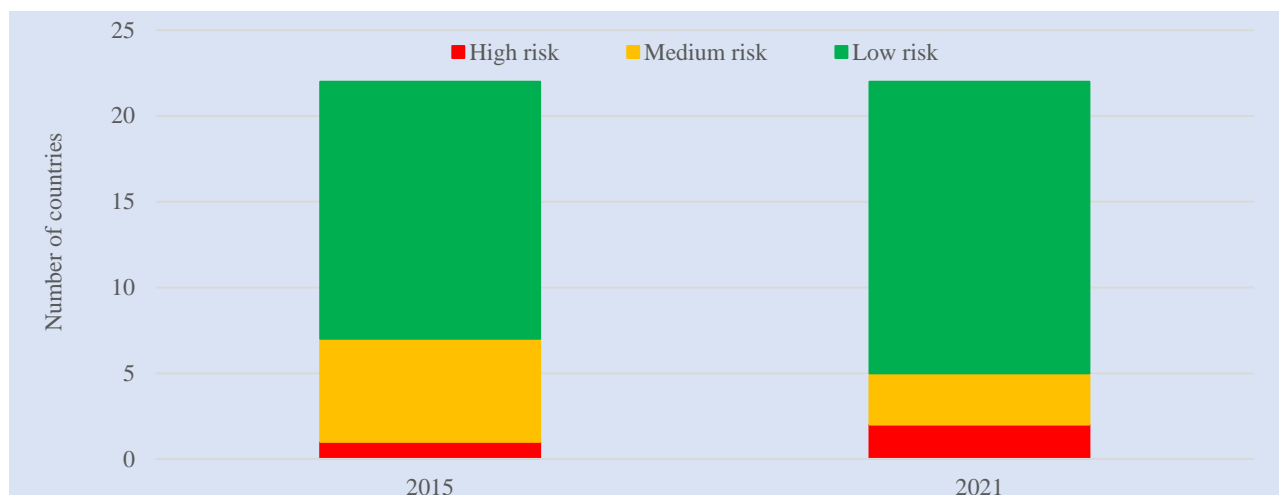
22. Vulnerable groups such as people living in poverty, female-headed households, migrants, marginalized communities, and the unemployed, often lack the necessary financial buffers and resources to withstand economic crises. As a result, they experience a deeper decline in living standards, reduced access to basic services, and increased poverty levels, widening the gap between the rich and the poor. Further, in the aftermath of an economic crisis, limited access to credit and financial services can hinder the ability of marginalized communities to recover from economic crises and to invest in opportunities.

23. At the same time, inequality can contribute to economic crises. If the benefits of economic growth are not well distributed, economies tend to become less stable and sustainable. Less money is recirculated throughout the economy as the wealthy save the majority of their wealth, while the rest of the population is unable to spend, and aggregate consumption (and therefore production) declines. The resulting lack of sustainability can increase the risk of economic crises. Indeed, a growing body of experts¹⁵ attributes the severity of the global financial crisis in the United States of America to rising income inequality, where stagnant income growth amongst low-income households compelled such households to borrow at unsustainable levels.

¹⁵ United Nations Commission of Experts, 2009; Stiglitz, 2009; IMF-ILO, 2010; Rajan, 2010; Reich, 2010; Kumhof and Rancière, 2010; Kumhof et al., 2012; Galbraith, 2012; Palley, 2012.

24. Figure 2 shows a divergence in the risk of economic crisis in the Arab region. Fewer countries are now at medium risk of crisis, and more have moved to either the high or low risk brackets.

Figure 2. Risk of economic crises



Source: ESCWA calculations.

Box 2. Lebanon's economic crisis

Lebanon is currently in the clutch of severe and overlapping crises. These crises came to a head in October 2019, when large numbers of people protested against measures that had recently been proposed by the Government of Lebanon amid rising unemployment and inflation, including a tax on WhatsApp calls and capital controls on customers accessing their dollar-denominated savings.

Soon afterwards, Lebanon fell into an economic and financial crisis described by the World Bank as one of the worst economic crises globally since the mid-nineteenth century. Between 2019 and 2021, per capita GDP fell by 37 per cent. Inflation has been steadily rising, peaking at 171 per cent in 2022, and the Lebanese pound has lost over 90 per cent of its value since 2019.

At the same time, Lebanon is experiencing a refugee crisis. It is currently hosting about 1.5 million Syrian refugees, which makes it the largest refugee host per capita in the world. Over one quarter of the population are refugees. Refugee inflows can support economic growth, but in the case of Lebanon, there are insufficient resources to accommodate the refugee population, who now face acute vulnerabilities, extreme poverty (estimated to affect 90 per cent of refugees), and limitations on access to food, healthcare, education and other basic services.

The impact of COVID-19 and the Beirut port explosion have only exacerbated the crises and inequalities that the country faces. By 2021, the compound impact of these crises had led to 74 per cent of the population living in poverty.

Lebanon's interlocking crises have triggered rising inequality in multiple forms, but most acutely through limiting access to finance, heightening economic inequality, and further eroding access to education and social protection. By 2021, only 21 per cent of the adult Lebanese population had a formal financial account (compared with 47 per cent in 2015). Between 2015 and 2021, Lebanon went from having the second highest level of financial inclusion among middle-income Arab countries to having the second lowest, as people sought to circumvent the strict capital controls imposed on the formal financial system by resorting to informal banking. The value of people's savings in local currency was eroded by hyperinflation; savings in foreign currencies cannot be accessed because of capital controls. As a result, many people in Lebanon are unable to save or invest. This has increased economic inequality, and made it impossible for many people to finance emergency health treatments and education. The rapid depreciation of the currency also triggered nationwide fuel and medicine shortages in 2021, which further exacerbated inequalities between a small elite group and a growing vulnerable population.

Sources: World Bank, [Lebanon Economic Monitor – Lebanon Sinking \(To the Top 3\)](#), 2021; UNHCR, [UNHCR Lebanon at a glance](#), 2023; [E/ESCWA/CL3.SEP/2021/POLICY BRIEF.2](#).

C. Institutional crises

25. In the past decade, the Arab region has experienced a significant number of institutional crises. Such crises, characterized by instability and governance challenges, can contribute to existing social and economic inequalities. Institutional crises can greatly increase inequality by further concentrating power and resources, excluding marginalized groups from political participation, stifling economic growth, disrupting public service provision, and dividing societies.

26. Institutional crises are often a result of concentrated power. They can further concentrate power and resources in the hands of a small elite. This exacerbates inequality by excluding marginalized groups from political participation, which reduces their opportunities to influence policymaking and often results in public resources being further diverted away from their needs.

27. As a result, institutional crises can fuel divisions that fragment societies and prevent social cohesion. Divisive rhetoric and actions can exacerbate discrimination and exclusion, particularly for the most marginalized.

28. At the same time, institutional crises can reduce investment, thus stifling growth, and weaken the capacity of social institutions. Reduced investment and weak growth can increase unemployment and poverty and can limit access to opportunities, particularly for the already marginalized and vulnerable. They can also reduce governments' ability to invest in social services, which reinforces inequality and limits opportunities for social mobility.

29. As with most crises, inequality can also fuel institutional crises by contributing to political polarization, as different groups within unequal populations have increasingly different wants and needs. If politicians respond to these different needs, this risks both political gridlocks and the rise of populism.

Box 3. Institutional crisis in the Sudan

The institutional crisis in the Sudan heightened in 2019 when President al-Bashir was removed from office and an agreement was brokered for a 39-month transition from a military to a civilian government. The transition exacerbated institutional uncertainty and intensified competition between the priorities of different parties. It also compounded the marginalization of vulnerable groups and aggravated political grievances and long-standing conflicts over land ownership.

At the same time, an economic crisis saw the economy shrink to less than a third of its pre-crisis state, with inflation reaching 360 per cent by 2021. This was accompanied by widespread shortages of fuel, electricity and medicine. As a result, poverty rates doubled.

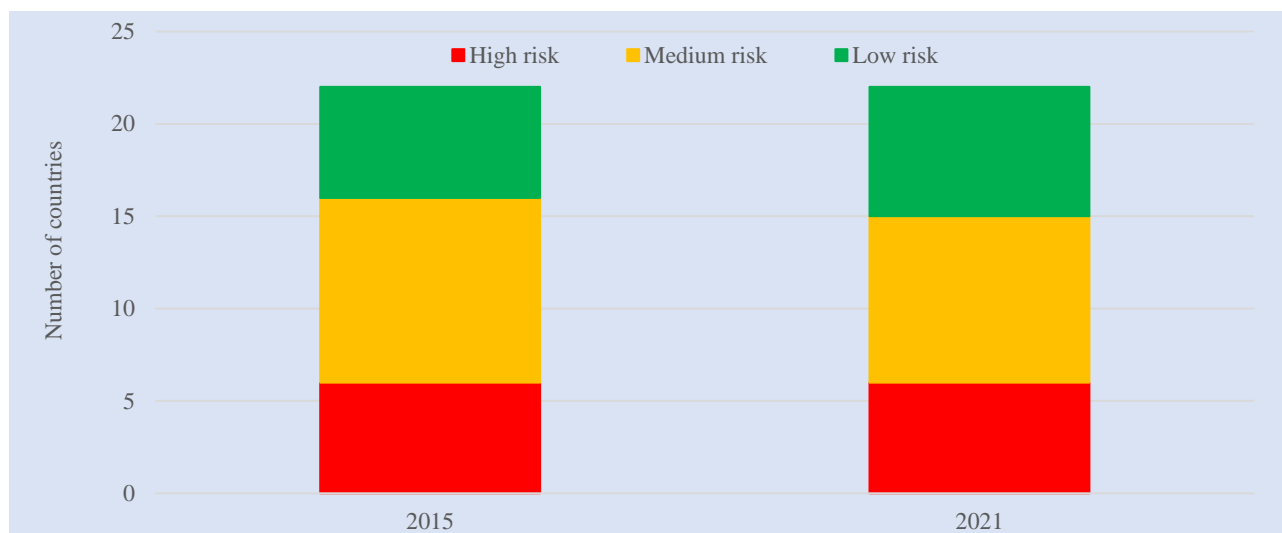
The renewal of conflict in 2023 is directly related to institutional instability and political grievances as rival groups fight for power. As a result, by December 2023, the Sudan held the largest number of displaced people (6.6 million) and the largest number of displaced children in the world. The high and rising displacement, combined with high and rising poverty from the economic crisis, has further affected vulnerability and equality.

By December 2023, the combined and reinforcing crises had caused 20.3 million people to be food insecure, including 3.4 million children who were acutely malnourished, and put 6 million people at risk of famine. Lack of access to clean water and sanitation was contributing to cases of cholera increasing (over 5,000 cases reported in December 2023) and measles (over 4,000 cases reported in December 2023), while 65 per cent of the population had no access to health services.

Sources: OCHA, [Sudan Situation Report \(7 December 2023\)](#), 2023; Chatham House, [Unlocking the economy strengthens Sudan's transition](#), 2021.

30. Figure 3 shows how the risk of an institutional crisis remained persistently high across the Arab region between 2015 and 2021.

Figure 3. Risk of institutional crises



Source: ESCWA calculations.

D. Climate crises

31. The Arab region is highly vulnerable to climate change, and is experiencing a faster rate of temperature rise than many other regions. Indeed, temperatures in the Arab region are rising at twice the global average and are expected to rise by 2 degrees above pre-industrial levels within the next decade, and by up to 5 degrees above pre-industrial levels by 2050¹⁶.

32. Without the impact of climate change, the Arab region is already highly water stressed (19 of 22 Arab countries face water stress),¹⁷ which will only be exacerbated by droughts and increased heat levels caused by climate change. Droughts, by driving land degradation, have also contributed to sand and dust storms becoming increasingly problematic in the Mashreq region¹⁸.

33. Climate change can also cause massive flooding as increased heat levels lead to higher levels of water vapour in the atmosphere, increasing the intensity of rainfall. Droughts also decrease the absorptive capacity of soil, increasing run-off, and contributing to further flooding.

34. Rising temperatures, greater water stress and flooding affect agricultural production, and therefore food security and livelihoods, water security, and therefore health and sanitation, energy security (because of greater demand for air conditioning), and risks the massive destruction of infrastructure, as seen in Libya.

35. Climate crises tend to have a disproportionate impact on the most vulnerable, in particular poor and rural communities, and can heighten inequality by exacerbating unequal access to resources, destroying livelihoods, and boosting migration.

¹⁶ Reviews of Geophysics, [Climate change and weather extremes in the Eastern Mediterranean and Middle East](#), 28 June 2022.

¹⁷ [E/ESCWA/CL1.CCS/2023/Policy brief.3](#).

¹⁸ ESCWA, [Joint measures for combating sand and dust storms](#), 2022.

36. Vulnerable populations, such as small-scale farmers and pastoralists, are disproportionately affected when ecosystems are degraded. The loss of income reduces agricultural productivity, and the disruption of traditional livelihoods contributes to widening inequalities. Furthermore, low-income communities often lack the financial means to recover from environmental shocks. The costs associated with climate-related disasters, such as the need to rebuild infrastructure or secure alternative livelihoods, can perpetuate and deepen existing cycles of poverty. The degradation of ecosystems can also render areas uninhabitable, triggering displacement and forced migration. Displaced populations, often lacking resources and social networks, face increased vulnerability and limited access to basic services. They may be pushed into marginalized urban areas or face additional hardships as they seek refuge elsewhere.

37. Furthermore, the loss of livelihoods, economic contraction, resource competition, migration, poor governance, and other social processes spurred by climate change can drive the risk of conflict.¹⁹

38. Finally, vulnerable communities and countries lacking financing are less likely to have disaster risk reduction strategies in place, such as early warning systems or rapid emergency response teams, than more developed communities or countries. In these cases, the impact of a climate disaster is likely to be much greater, further exacerbating the inequalities they already face.

Box 4. The climate crisis in Libya

In September 2023, Storm Daniel brought torrential rain to Libya, the force of which caused two dams to collapse in the eastern city of Derna and released 30 million cubic metres of water onto the surrounding area. The flooding killed over 11,000 people, left over 10,000 unaccounted for, and is estimated to have caused \$19 billion in losses to buildings and infrastructure.

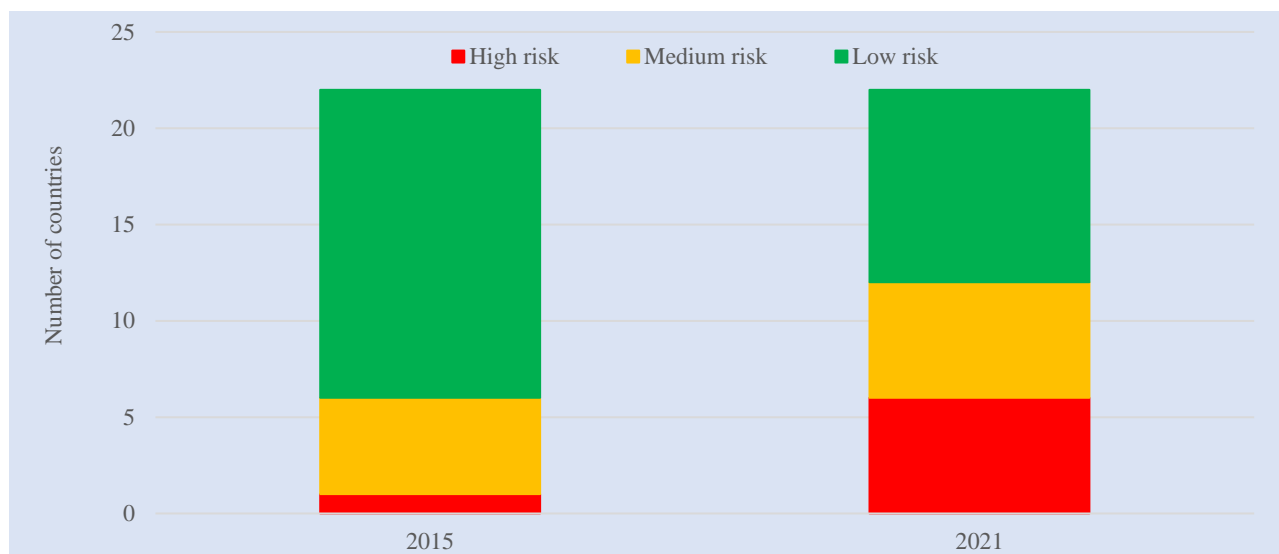
While the intensity of the storm has been proven by scientists to have been intensified by climate change, the impact of this climate-related crisis was intensified by a decades-long conflict which had already weakened the country's institutions and subdued its economic activity. Between 2011 and 2020, the estimated cost of conflict to Libya was \$576 billion. A further \$462 billion in conflict-related costs is expected by 2025. This has not only limited the financing available for health care, education, social protection, and infrastructure development and maintenance; it has also diverted the limited funds that remained away from these social sectors and towards military expenditure. As a result, the dams that collapsed had not been maintained for 20 years. The dams had also suffered damage during the conflict, making them acutely vulnerable to storms.

The conflict in Libya heightened the impact that the storm had on communities. It has also hampered rescue and recovery efforts. A lack of maintenance affected all types of infrastructure, including roads, bridges, communications, and electricity. As a result, this infrastructure was quickly destroyed during the floods, rendering the area inaccessible in the immediate aftermath of the storm. Search and rescue teams had limited funds to enable them to respond quickly, and the Government has few resources to direct towards reconstructing and promoting the recovery of the affected area. As a result, communities in the affected area are still suffering the effects of the storm today: a lack of electricity, clean water, and access to finance has contributed to the spread of water-borne diseases, displacement, and heightened vulnerability.

Sources: [E/ESCWA/CL6.GCP/2020/3](#); Carnegie Endowment for International Peace, [Climate Change, Conflict, and Corruption: Reflecting on Libya's Catastrophic Floods](#), 2023; OCHA, [Libya: Flood Response Humanitarian Update \(as of 28 November\)](#), 2023.

39. Figure 4 shows how the risk of climate crisis increased across the Arab region between 2015 and 2021, as more countries began to experience longer periods of consecutive dry days and days above 35 degrees Celsius.

¹⁹ [E/ESCWA/CL6.GCP/2021/TP.9](#).

Figure 4. Risk of climate crises

Source: ESCWA calculations.

II. Introducing the polycrisis

40. Crises are not new to the Arab region, or to the world. However, as globalization accelerates and the world becomes increasingly interconnected, individual crises are interacting in unprecedented ways. Globalization has the potential to reduce the impact of crises, but it can also allow crises to exacerbate vulnerabilities elsewhere and trigger a series of overlapping, synchronized, and reinforcing crises, with devastating impact. This phenomenon is known as a polycrisis: “a cluster of related global risks with compounding effects, such that the overall impact exceeds the sum of each part”.²⁰

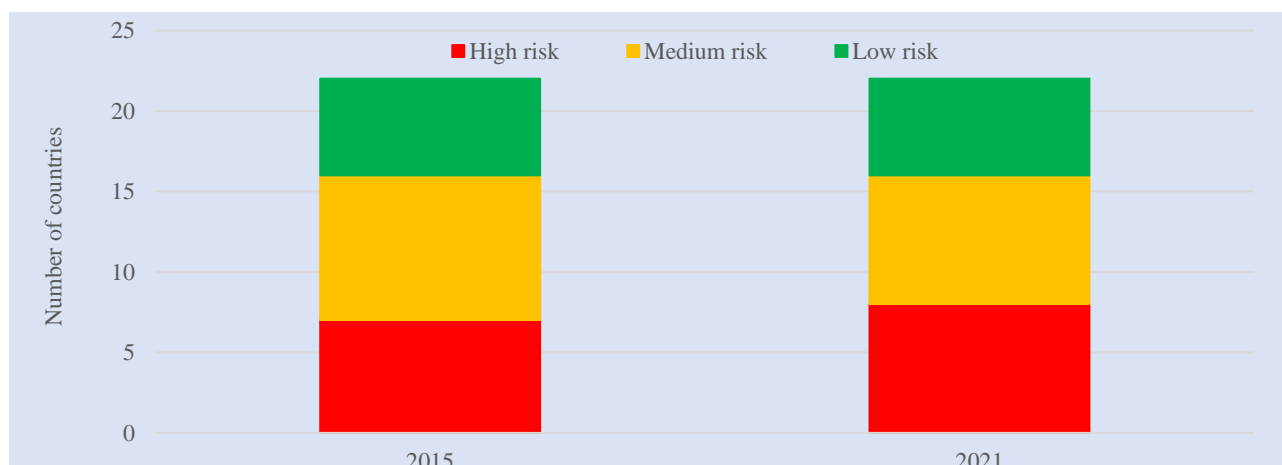
41. In a polycrisis, risks interact and exacerbate each other to disastrous effect. For example, countries already facing an economic crisis are likely to be more vulnerable to climate change. Limitations on available financing as a result of an economic crisis impedes their ability to finance adaptation and mitigation measures to minimize the impact and likelihood of climate change-related events. And in the event of a climate-related disaster, they are likely to have less ability to protect livelihoods and repair damaged infrastructure, which in turn will deepen the economic crisis by eroding their productive capacity over the medium to long-term. In this example, although they may have different triggers, the two crises nonetheless interact increasing the magnitude of their impact on populations and livelihoods. In other scenarios, the same triggers may offset numerous crises, again to devastating effect.

III. Measuring polycrisis

42. ESCWA has assessed the risk of polycrisis by examining the extent to which the risks of climate crisis, conflict, war and occupation, economic crisis and institutional crisis overlap in the Arab region and in each Arab country.

43. Figure 5 illustrates how the risk of a polycrisis increased in the Arab region between 2015 and 2021. The number of countries at high risk of polycrisis increased, as many countries have moved from the “medium” to the “high” risk category, while the number of countries at low risk of polycrisis has remained unchanged.

²⁰ World Economic Forum, *The Global Risks Report 2023*. 18th edition. Insight Report, 2023.

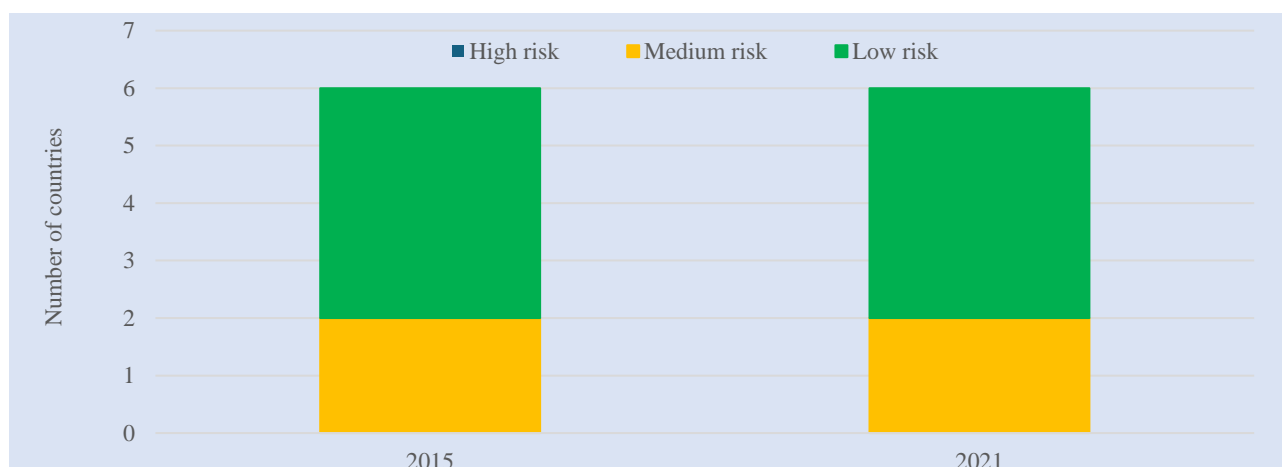
Figure 5. The risk of a polycrisis in the Arab region

Source: ESCWA calculations.

44. Only two countries in the region (Jordan and Oman) saw a fall in their risk of polycrisis between 2015 and 2021. All other countries saw their risk remain the same or increase. Jordan's improvement was driven by a less pronounced impact of climate change in 2021 – although, given that Jordan is highly water stressed and is prone to climate change, its result for 2021 is likely to be an anomaly. Oman's improvement was driven by an improvement in its score on the Global Peace Index, from just fractionally above the “low” risk threshold to just fractionally below it.

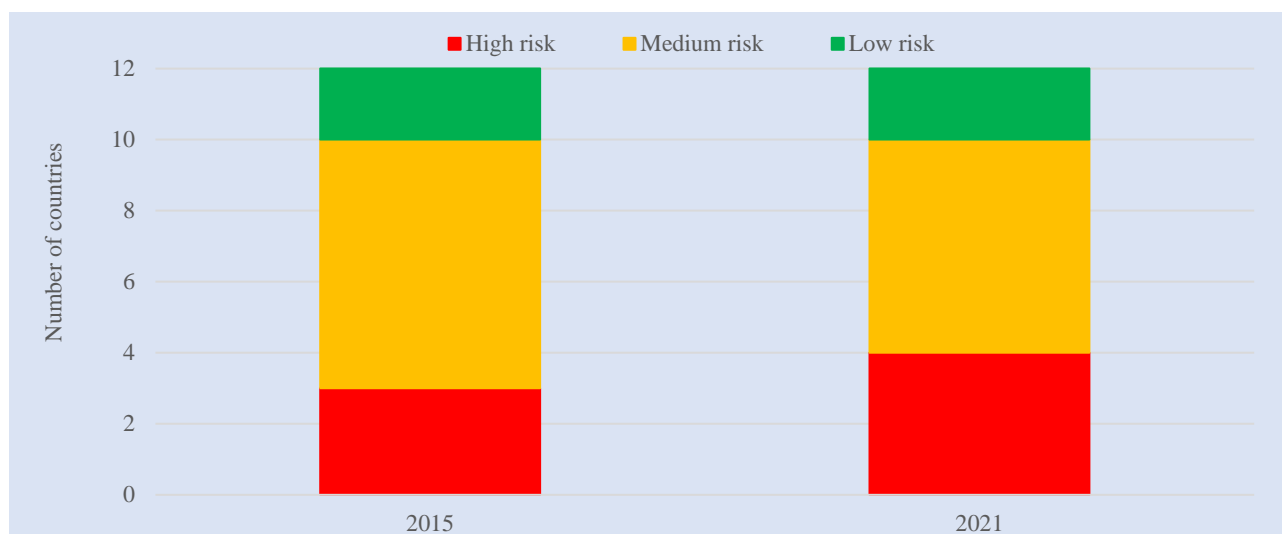
45. In 2021, the area where the risk of crisis increased most was climate change. The risk of crisis was largest overall in the areas of climate, conflict, war and occupation, and institutions.

46. The risk of polycrisis is also calculated by income group, and for conflict-affected and least-developed countries. Figures 6 to 8 show the risk of polycrisis in high-, middle- and low-income Arab countries, while figures 9 and 10 show the risk of polycrisis in least developed and conflict-affected countries²¹. High income countries are least at risk of a polycrisis, while low-income, least developed and conflict-affected countries are most at risk.

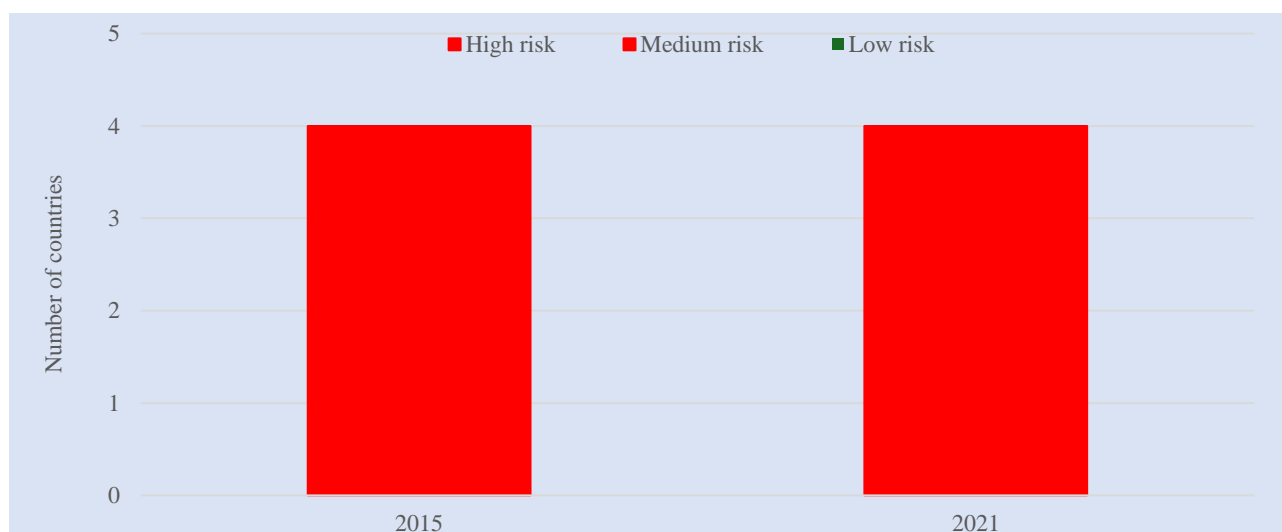
Figure 6. Risk of a polycrisis in high-income countries

Source: ESCWA calculations.

²¹ All country classifications are based on the United Nations/World Bank 2023 classifications for low-income, middle-income, high-income, least developed and conflict-affected countries. The 2023 classifications have been used throughout the analysis to ensure comparability between the 2015 and 2021 readings.

Figure 7. Risk of a polycrisis in middle-income countries

Source: ESCWA calculations.

Figure 8. Risk of a polycrisis in low-income countries

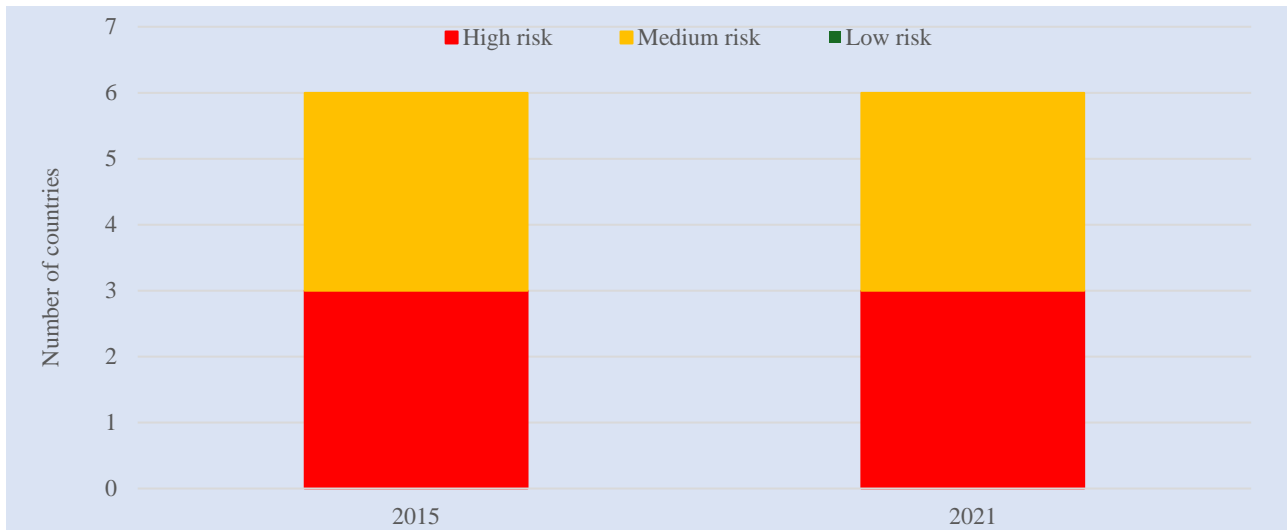
Source: ESCWA calculations.

47. Although the numerical score attached to the risk of polycrisis for high-income countries increased between 2015 and 2021, it remained far lower than in countries in other income groups. The number of high-income countries in each polycrisis risk category did not change. No high-income countries were at high risk of a polycrisis in 2015 or 2021, and most high-income countries were at low risk of polycrisis. Saudi Arabia moved from low risk of a polycrisis to medium risk, driven by the increasing danger of climate change, while Oman moved from medium risk to low risk, due to a fall in the risk of conflict. Bahrain remained at medium risk throughout.

48. Among middle-income countries, one more country (Lebanon) entered the “high” risk group for polycrisis between 2015 and 2021. There was some transition to and from the “medium” risk group: Jordan moved from medium to low risk and Morocco moved from low to medium risk, driven by increasing levels of risk from climate change. Although the change seems minimal, there was an increase in the numerical score attached to the risk of polycrisis in every middle-income country except Jordan.

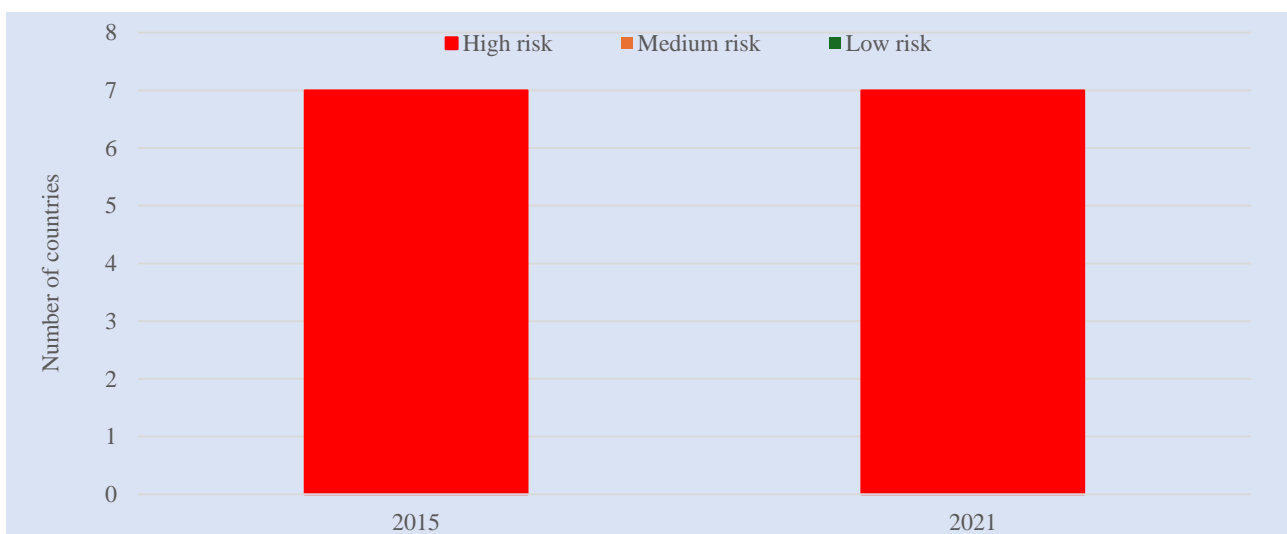
49. All low-income countries remained at high risk of polycrisis throughout 2015 and 2021. Further, the numerical score attached to the risk of polycrisis increased between 2015 and 2021. There was no change in the risk levels of least developed countries, although the overall risk level remained high. No Arab LDC was at low risk of a polycrisis in either 2015 or 2021. The risk of polycrisis in conflict-affected countries remained high in 2015 and 2021: every single Arab country in conflict was at high-risk of polycrisis.

Figure 9. Risk of a polycrisis in least developed countries



Source: ESCWA calculations.

Figure 10. Risk of a polycrisis in conflict-affected countries



Source: ESCWA calculations.

IV. Measuring inequality

50. To measure the impact of the polycrisis on inequality, it is necessary to also measure inequality. ESCWA has developed a nine-pillar measure of multidimensional inequality that captures economic inequality, gender inequality, youth inequality, and inequalities in access to health, education, social protection, food, finance, and technology. These indicators were selected because they capture the most extreme forms of inequality faced by the Arab region, because they cover a large proportion of the population, and because they are critical to reducing inequalities in the future.

51. Economic inequality is growing in the Arab region – a region which, in terms of income inequality, is already the most unequal region in the world.²² Rising income inequality has triggered a situation where poverty rates in the region are growing, making the Arab region the only world region where poverty rates are increasing rather than decreasing.

52. Gender inequality is rife in the Arab region due to high levels of gender-based violence, early marriage, exclusion from political and decision-making bodies, and economic disempowerment. The most gender-equal country in the region (United Arab Emirates) ranks only 71st in the World Economic Forum’s 2023 Global Gender Gap report, while two Arab countries²³ sit in the bottom 10, and a further six²⁴ in the bottom 20.²⁵

53. Young people are one of the most disadvantaged groups in the region, and yet one of the largest population groups. Young people between the ages of 15 and 29 account for approximately 30 per cent of the population of the Arab region, or 110 million people. An additional 30 per cent of the population are below the age of 15, and will soon fall into the category of “young people”.²⁶ Young people are at risk of being excluded from meaningful socioeconomic participation, particularly upon their graduation from school or university. Their exclusion also brings significant risks to social cohesion in the region. Youth unemployment in the Arab region is the highest in the world: in 2021 it stood at 26 per cent, significantly higher than the global average of 15 per cent. Added to this, 85 per cent of the young people in the Arab region who do have jobs are informally employed. Young women are particularly badly affected: 42 per cent of young women across the region are unemployed. This exacerbates their vulnerability and erodes their productive potential.²⁷

54. Health care, education, and social protection are pivotal to reducing inequality and fostering social mobility. Poor health and education are strongly correlated with intergenerational chronic poverty. Inequality in any of these pillars is likely to trap people in unemployment or unproductive work, poverty, and inequality.

55. Access to finance and technology are also emerging as new areas that can play a pivotal role in reducing inequality. Access to technology and finance can be used to support entrepreneurship, wealth accumulation, and economic growth. However, people without universal access to technology and finance will be further excluded.

56. Finally, access to food is an acute and growing source of inequality in the Arab region. In 2021, 174 million people in the region – 35 per cent of the Arab population, and an increase of 12 million people in just one year – were living with insecure access to food.²⁸ Insufficient access to food forces people and their families to expend scarce time and resources on searching for safe food to eat. This erodes their productivity and undermines their chances of attaining a high-quality education or finding decent work. Food insecurity typically affects the already vulnerable most of all. It also frequently exacerbates gender inequality, as in the Arab region, women typically spend more time searching for food. They also tend to eat last, preferring to feed their families first, so they are particularly affected by food shortages.

²² World Inequality Lab, [World Inequality Report 2022](#), 2022.

²³ Algeria and Oman sit 144th and 139th respectively out of 146 countries in the World Economic Forum’s 2023 Global Gender Gap report.

²⁴ Morocco, Egypt, Qatar, Lebanon, Saudi Arabia, and Tunisia sit 136, 134, 133, 132, 131, and 128 respectively out of 146 countries in the World Economic Forum’s 2023 Global Gender Gap report.

²⁵ World Economic Forum, [Global Gender Gap Report](#), 2023.

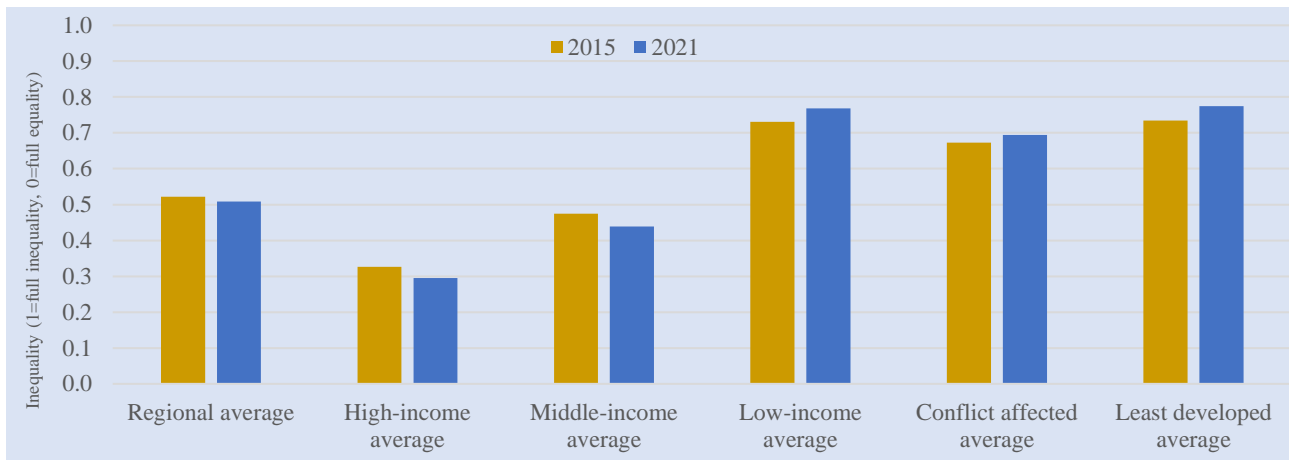
²⁶ UNFPA Arab States, [What we do: Youth participation and leadership](#), 2023.

²⁷ [E/ESCWA/CL2.GPID/2022/2](#).

²⁸ [E/ESCWA/CL2.GPID/2023/3](#).

57. Figure 11 illustrates how multidimensional inequality has decreased marginally in the Arab region, particularly among high- and middle-income countries, but has increased in low-income, conflict-affected, and least developed countries.

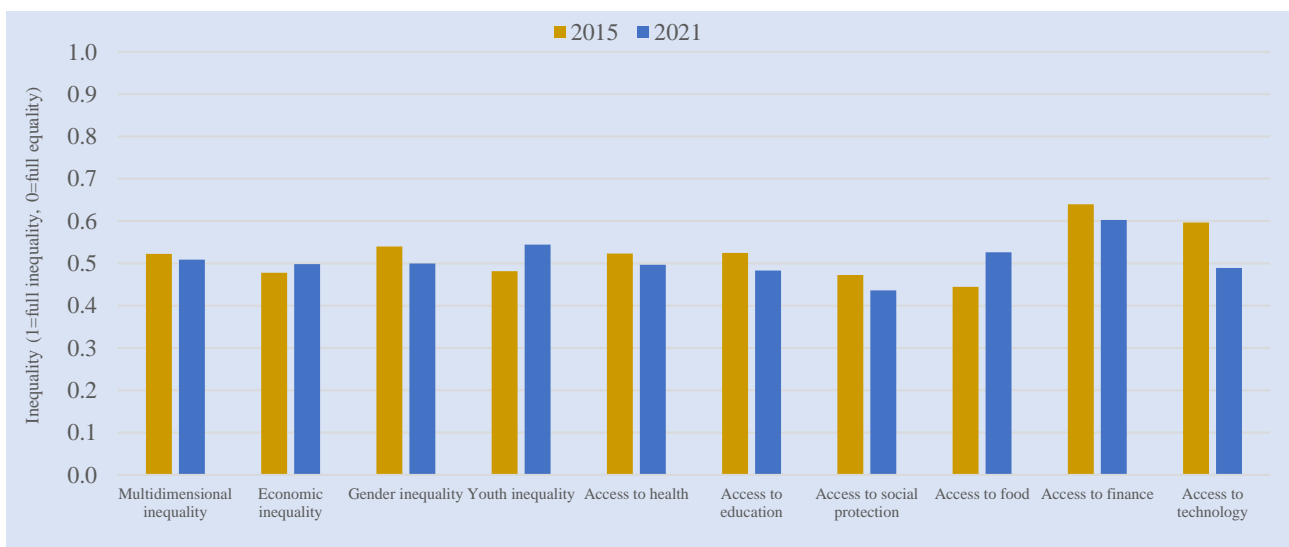
Figure 11. Multidimensional inequality in the Arab region



Source: ESCWA calculations.

58. The reduction in multidimensional inequality is not reflected across all pillars. Economic inequality, youth inequality, and inequality in access to food all increased in the Arab region between 2015 and 2021. Figure 12 shows changes in inequality across the pillars during that period.

Figure 12. Inequalities in the Arab region



Source: ESCWA calculations.

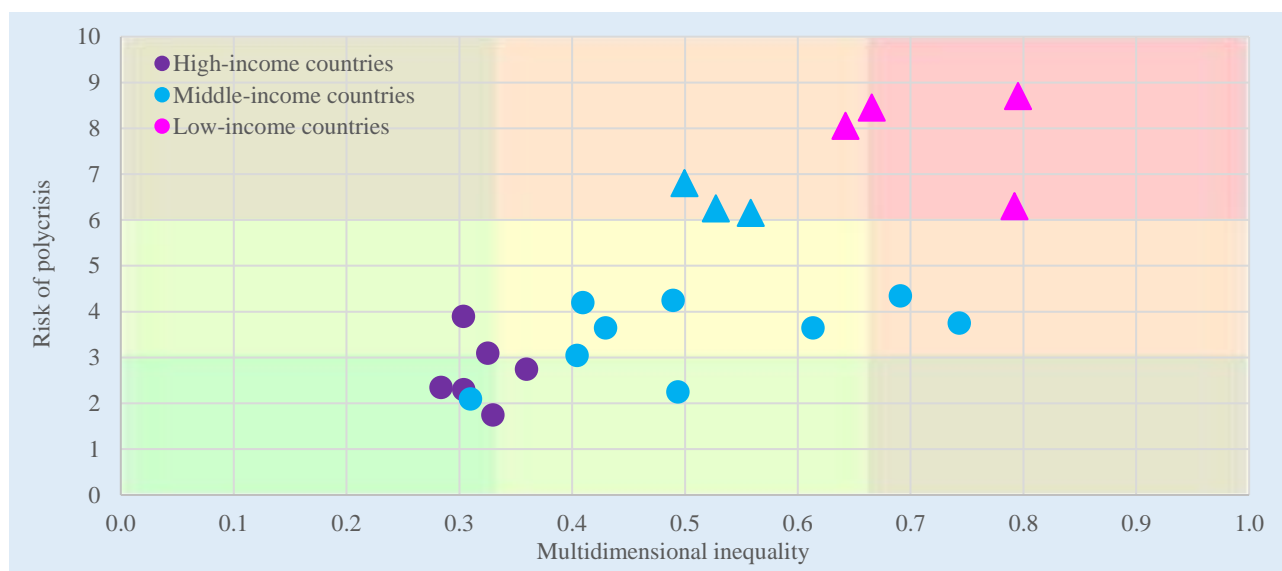
59. Again, there are stark differences between country groupings. Among high-income countries, inequalities in food and technology increased, though they remained low relative to the region as a whole. Economic, gender and youth inequalities were the largest sources of inequality. Among middle-income countries, youth inequality and inequalities in access to social protection and food increased, while the largest sources of inequality were youth inequality and inequality in access to finance. In low-income countries, economic inequality, youth inequality, and inequalities in health and food increased. All inequalities in low-income countries were high compared to other countries in the region, but the largest sources of inequality were inequalities in access to food, health care and finance.

60. In least developed Arab countries, economic and youth inequalities increased, as did inequalities in access to health, education, social protection, and food. In conflict-affected Arab countries, economic and youth inequalities and inequalities in access to health, food and social protection all increased.

V. How do the risks of polycrisis and inequality interact?

61. To illustrate how the risks of polycrisis interact with multidimensional inequality, figures 13 and 14 map the risk of a polycrisis with the risk of multidimensional inequality in 2015 and 2021.

Figure 13. The risk of a polycrisis and multidimensional inequality in 2015

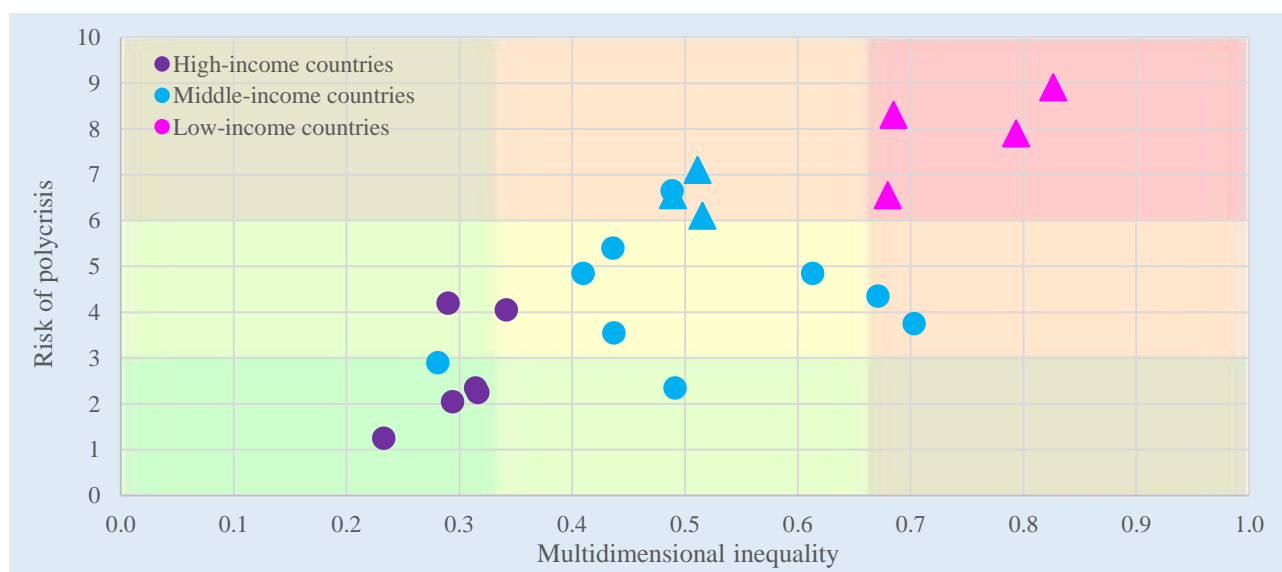


Source: ESCWA calculations.

Notes: Conflict-affected countries are included within their income groups but are represented by triangles. All other countries are represented by circles.

The chart is colour-coded: low risk is shown as green, medium risk as yellow, and high risk as red. Combinations of risks are depicted as combinations of colours. For example, a high risk of polycrisis and a medium risk of multidimensional inequality are displayed as a combination of red and yellow: orange.

Figure 14. The risk of a polycrisis and multidimensional inequality in 2021



Source: ESCWA calculations.

62. The charts show a clear positive correlation between risk of polycrisis and multidimensional inequality. High-income countries tend to be clustered around the green bottom-left corner, which indicates a lower risk of polycrisis and lower multidimensional inequality, while low-income countries tend to be clustered around the red top-right corner, which indicates a higher risk of polycrisis and higher multidimensional inequality. Middle-income countries sit between the two. Conflict-affected countries (depicted by the triangles) are amongst the highest at risk of polycrisis, partly because conflict is one of the pillars that determines the risk of polycrisis, but also because conflict tends to trigger other crises. Conflict-affected countries are also among the most unequal countries in the Arab region. This is of concern because conflict-affected and low-income countries have fewer resources available to them to break the trap of high risks and high inequality.

63. Between 2015 and 2021, more Arab countries have moved into the red top-right corner, indicating a high risk of polycrisis and high multidimensional inequality. This constitutes a growing risk to the region.

64. Different countries have moved in different directions. Lebanon has experienced an increase in both multidimensional inequality and risk of polycrisis; the United Arab Emirates has experienced a decrease in both multidimensional inequality and risk of polycrisis; Morocco has experienced an increase in risk of polycrisis, but a decrease in multidimensional inequality; and Jordan has experienced a decrease in the risk of polycrisis, but an increase in multidimensional inequality. Some countries have lower risk levels than others, but all countries have some risk of both polycrisis and inequality.

65. Overall, the risk of polycrisis in the Arab region has increased. This poses a grave threat of future increases in inequality.

VI. Policy recommendations

66. There is a positive and mutually reinforcing relationship between the risk of polycrisis and multidimensional inequality. We propose a series of policy recommendations aimed at breaking this relationship and protecting equality in times of crisis. Our policy recommendations are divided into four categories: (i) recommendations aimed at reducing inequality between countries; (ii) recommendations aimed at reducing inequality within countries; (iii) tailored policies for countries in special situations; and (iv) recommendations on financing mechanisms at national level.

A. Reducing inequality between countries

67. Reform the international financial system. Countries need liquidity to finance their work towards achieving the SDGs. Under the current international financial system, low-income countries are burdened with higher borrowing costs, which constrains their ability to mobilize resources. Increasing concessional borrowing, improving access to innovative financing instruments, and increasing official development assistance and climate finance flows from high-income to low-income countries would all give low-income countries greater capacity to dedicate resources to improving equity and sustainability.

68. Consider debt swaps for “smart” investments and essential social services. High debt-service costs limit the ability of several countries in the Arab region to invest productively and provide essential services to their citizens. In some nations, debt servicing has exceeded 50 per cent of government revenue. Countries should consider innovative financing instruments including debt swaps for climate, the SDGs, or other “smart” investments and essential social services.

69. Reform the provision of international climate funding. At the moment, international climate funding for the Arab region is predominantly provided in the form of loans, not grants. This places a huge financial burden on future generations. The level of funding that has been made available is also far less than the \$570 billion that will be needed for countries in the region to deliver their nationally determined contributions on climate action. Further financing should be provided in the form of grants. This would make it more likely for countries

in the region to successfully deliver their nationally determined contributions, as well as promoting equity between countries and reducing the financial burden passed to future generations.

70. Embrace South-South and triangular cooperation. South-South cooperation entails exchanges of knowledge, resources, and technical expertise between countries in the Global South. This is invaluable in identifying and disseminating policy solutions that can work in challenging circumstances, and should therefore be embraced. Countries with similar circumstances and demands should also collectively partner with developed countries and multilateral organizations – a practice known as triangular cooperation – to obtain financial and technical support in enacting policy solutions that reduce inequalities. As well as providing benefits to the countries receiving assistance, this would also increase the impact of the assistance offered by benefactor countries.

B. Reducing inequality within countries

1. Emergency policy solutions

71. Provide humanitarian assistance quickly, at the scale required. In times of crisis, immediate humanitarian aid is essential to prevent an immediate rise in inequality. If aid is to be provided effectively and quickly, preparedness measures and well-trained response teams need to be in place and ready. It follows from this that humanitarian funds and agencies should be financed over the long term, and not only in times of emergency. Steady long-term financing allows humanitarian funds and agencies to make plans and build resilience among vulnerable communities, reducing their long-term risk exposure and humanitarian need. It also enables them to act quickly in times of crisis. Humanitarian funds should not be politically driven or earmarked for a specific country. Instead, they should be used to support the most vulnerable populations, regardless of the location or the circumstances in which they find themselves.

72. Develop and roll out national disaster response and risk reduction plans. National disaster response and risk reduction plans play a crucial role in reducing the likelihood and impact of crises. These plans should routinely be put in place at local, national, and regional levels. They should be regularly updated, and should reflect international humanitarian and human rights laws. They should consider the needs of the whole population, including vulnerable and marginalized groups. Lastly, they should be accompanied by an early warning system to provide communities and responders with more time to anticipate a crisis and to mitigate its potential impact.

2. Short-term policy solutions

73. Implement progressive, flexible social protection policies. Flexible social protection policies should be put in place. This allows social protection provision to be rapidly expanded during a crisis to those in need, helping to lift individuals out of poverty and facilitating upward social mobility. Social protection schemes should also consider in advance how households may be affected differently by different crises, and have contingency plans in place that reflect this.

74. Embrace public works programmes as a means of providing short-term employment. By providing cash, vouchers, or food in return for labour, public works programmes can protect the dignity of working-age people who have been affected by a crisis. Such programmes can protect their medium- to long-term employability, as well as limiting the impact of crises on multidimensional inequality. Public works programmes can also support the development of infrastructure in crisis-affected countries, which may to some degree support economic growth. Countries in the region should embrace such programmes, and donor countries should support them.

3. *Medium- to long-term policy solutions*

75. Deliver comprehensive and complementary social insurance, including universal healthcare and unemployment insurance. Greater social insurance coverage can protect populations during crises and prevent rising inequality. This should be developed and established over the medium term, and be accompanied by measures seeking to create high-quality employment opportunities, which enables greater employee contributions to national schemes, thereby protecting their sustainability.

76. Invest in high-quality education. Education is the greatest enabler of social mobility. Countries in the Arab region should examine their education systems to ensure that they meet the evolving demands of the labour market, with the aim of promoting high-quality employment in fast-growing sectors. They should also promote lifelong education, which has the power to keep people's skills relevant to the needs of the labour market throughout their lives.

C. Tailored policies for countries in special situations

77. Conflict-affected and least-developed countries require tailored policies that take into account the heightened risk of polycrisis that they face, and the elevated level of multidimensional inequality that their populations experience.

78. Invest in peacebuilding and conflict resolution. Peacebuilding and conflict resolution require solidarity between groups of people whose outlooks and needs are sometimes ardently opposed. The process can only be successful if a complex set of requirements are satisfied. These include security guarantees, sustainable socioeconomic development, social justice and adherence to human rights. Governments should invest resources to set the scene for successful peacebuilding. They should ensure that the process is sustainable, they should apply a bottom-up approach, involving representatives from all sections of society including women and young people.

79. Commit to strengthening institutions. Strong institutions are essential for peace. SDG 16 – Peace, Justice, and Strong Institutions – calls on countries to “promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels”. Institutions should be strengthened to enable them to prevent violence and uphold the rule of law and human rights.

80. Address aid fragmentation. Sometimes, multiple donors react to crises by investing heavily in overlapping initiatives. Competing priorities complicate coordination efforts, and large inflows of resources are more difficult to scrutinize. This phenomenon, known as aid fragmentation, is particularly pronounced in countries in conflict. Donors should not respond to this issue by reducing their investments in conflict-affected countries. Instead, they should improve their coordination and take steps aimed at avoiding overlapping funding priorities.

D. Financing mechanisms at national level

81. All the above policy recommendations require financing.

82. Adopt progressive taxation policies and use mobilized finances to support redistributive policies. Progressive taxation and redistributive policies are key to reducing inequality in the medium term. Increasing corporate tax revenue can play a significant role in increasing overall tax revenues and promoting equality, especially if governments focus on multinational companies rather than SMEs. Taxes raised from progressive taxation should be redistributed towards lower-income and vulnerable households in accordance with their needs. In a more equal society, more individuals are liable to pay taxes, so the amount of revenue collected

increases. Greater inequality has the opposite effect, restricting governments' capacity to finance corrective measures.

83. Reduce the transaction costs associated with remittances, especially for smaller transactions. Remittances can provide a lifeline for families affected by crises. However, if they are not well managed, they can also perpetuate inequalities. Wealthier senders tend to send larger remittances relatively infrequently and through formal channels. Less wealthy senders, on the other hand, tend to send smaller sums more frequently, through informal channels; a much greater proportion of their payments is lost to transaction costs. This disproportionate loss is borne by their recipients, who are often also less wealthy. Reducing the cost of remittance transactions can promote equality and make remittances more effective in supporting families that social protection does not adequately reach.

84. Embrace public-private partnerships. Properly managed public-private partnerships can increase efficiency in public infrastructure provision. They allow governments to take advantage of private-sector innovations and expertise, access new sources of capital, and share the risk of large investments.

85. Coordinate efforts to combat tax evasion and illicit financial flows at national and international level. Combating tax evasion and illicit financial flows will protect public revenues and increase the amount of financing available for humanitarian aid and social assistance in times of crisis. It will also foster equality by making it more difficult for wealthy people and companies to take advantage of tax loopholes. Such action will require global coordination from governments, international organizations, financial institutions, and civil society. All of these actors should play an enthusiastic role in this process. Governments and financial institutions should be open to sharing financial information, especially regarding the transactions of multinational corporations. They should put measures in place to create more transparency regarding beneficiary ownership. Coordinated action at the required level may make it necessary for the international common standards for information exchange, transparency, and reporting to be reworked. The bodies involved in setting these standards should play a committed role in bringing about the required change.

86. Mobilize Islamic financing to reduce inequalities. Islamic finance adheres to high ethical standards regarding people and the environment. There is growing evidence that elements of Islamic finance can be introduced across the global financial system, including in non-Islamic countries. Such a move would have great potential to reduce poverty and increase equality. There are still areas where Islamic finance can expand its reach, including in providing equity-based credit to SMEs and for large infrastructure projects. In 2020, Islamic finance assets were valued at \$3.4 trillion.²⁹ Especially in the Arab region, policymakers should seek to make more use of Islamic finance methods with a view to reducing inequalities.

²⁹ [Global Islamic Financing and Impact Investing Platform](#) (accessed on 13 February 2024).