



OIC/COMCEC/32-16/D(39)



CCO BRIEF ON POVERTY ALLEVIATION

**COMCEC COORDINATION OFFICE
November 2016**

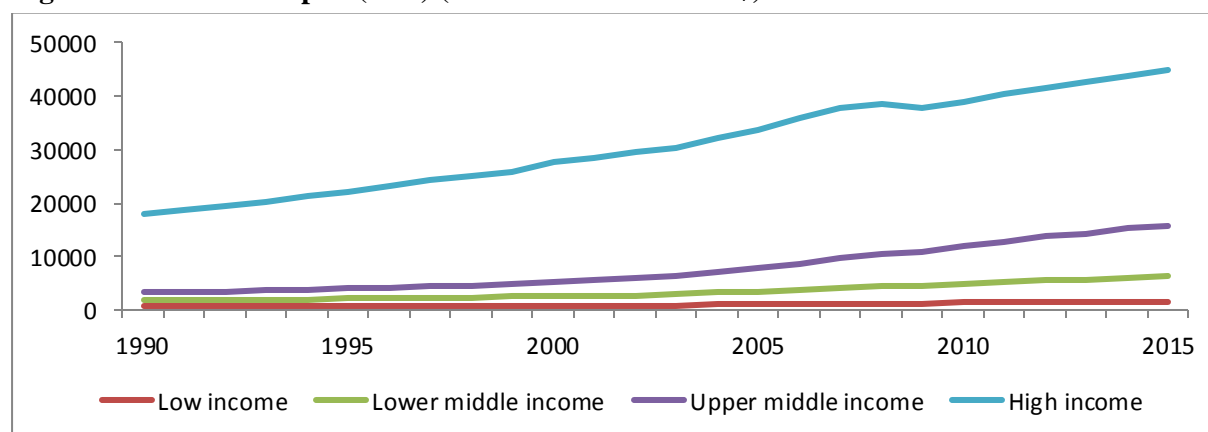
CCO BRIEF ON POVERTY ALLEVIATION

Poverty is defined as the lack of sufficient resources to meet one's basic needs. The definition of poverty depends on the basic necessities, which depend on geography, time and cultural expectations, or even on the source of the definition. In this respect, there are different ways to study the poverty situation of countries. The most frequently used method is to define poverty in monetary terms, such as the USD 1.90 a day and the USD 3.10¹ a day poverty lines that have been specified by the World Bank, or the value of a minimum calorie requirement. Poverty is also defined in non-monetary terms from a multidimensional perspective. Within this context, UNDP began to calculate Multidimensional Poverty Index (MPI) in 2010, in order to measure poverty in a much broader context. The MPI considers multiple deprivations of the population and their overlap by utilizing the dimensions of health, education and standards of living. HDI is another non-monetary indicator of poverty produced by UNDP. Including health, education and standards of living dimensions as is the case with the MPI, the HDI focuses on some further components of these dimensions.

Poverty in the World

When examined in monetary terms, the world's average GDP per capita PPP is \$15,465 in 2015. This average is \$44,696 for the high income countries, \$15,697 for the upper-middle income countries, \$6,423 for the lower-middle income countries and \$1,645 for the low income countries (Figure 1). These figures indicate that there is a considerable disparity among the countries. While Qatar has the highest GDP per capita (PPP) with 143,788 Current International Dollar, the Central African Republic has the lowest GDP per capita income with 597,4 Current International Dollar. Furthermore, the gap between high and low income countries is widening. Apart from these huge differences among countries, there are also substantial income distribution problems within the countries. Therefore, poverty is still a challenging issue for many people, especially the ones living in the Least Developed Countries (LDCs).

Figure 1: GDP Per Capita (PPP) (Current International \$)



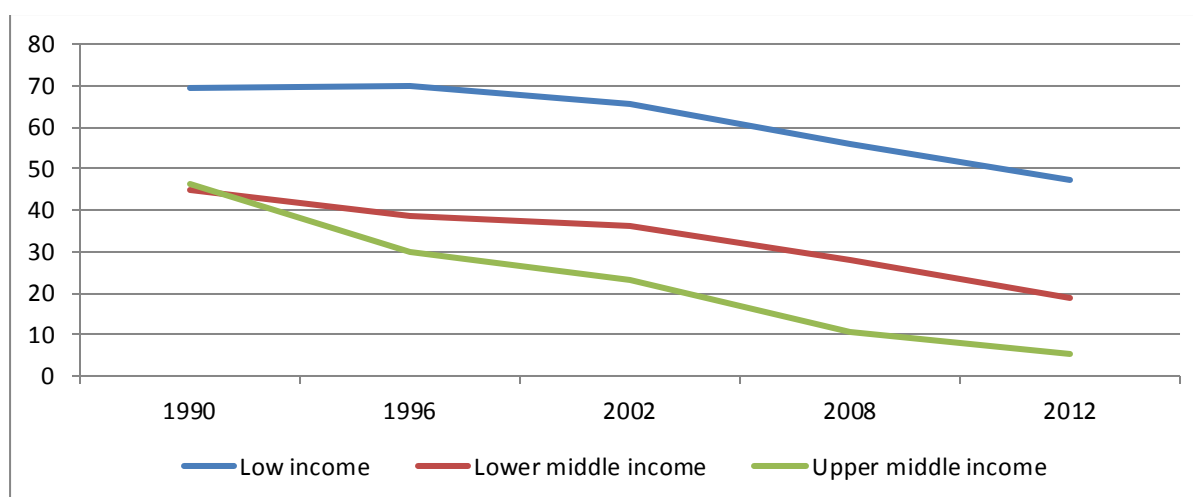
Source: Prepared by CCO from World Development Indicators of the World Bank

For most countries, the poverty levels decreased in monetary terms for the last three decades. Indeed, for the period from 1990-2012, significant progress has been observed with respect to

¹ The World Bank's definition of "extreme poverty" has been revised to mean living on less than \$1.90 per day from \$1.25 per day reflecting the latest updates in purchasing power parities. In the same way, \$2 per day has been revised to \$3.10 per day.

the percentage of people living under USD 1.90. While this rate was 46 percent for upper-middle income countries, 45 percent for lower-middle income countries and 70 percent for low income countries in 1990, it fell to 5 percent, 19 percent and 47 percent respectively for these income groups in 2012 (Figure 2). In upper-middle income countries, there was a sharp decrease in poverty levels due to considerable reduction in China in the long term. China lifted 680 million people out of poverty between 1981 and 2010. Extreme poverty rate decreased from 84% in 1980 to 10% in 2013² in China.

Figure 2: Poverty Headcount Ratio at USD 1.90 a day (2011 PPP) (% of population)



Source: Created by the Authors, from the World Development Indicators of the World Bank

Reducing poverty levels in most of the countries are promising; however, there are also some countries with increased poverty levels.

Poverty in the OIC Member Countries

The OIC, as a group, is composed of countries having different development levels from diverse geographies. Twenty one out of 48 Least Developed Countries (LDCs) are Members of the OIC. In this respect, GDP per capita levels of the member countries display a highly dispersed composition, where they vary from \$954 to \$143,788 (PPP current int. \$) in 2015³. Furthermore, the number of people living under USD 1.90 a day in the OIC Member Countries is nearly 375 million, representing 21 percent of the total population of the OIC.

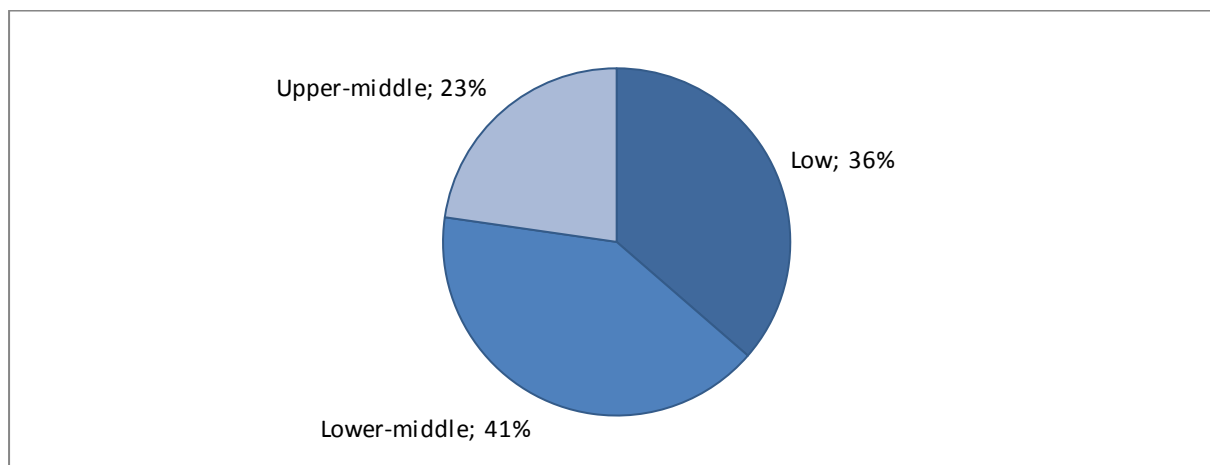
Multidimensional Poverty in the OIC Member Countries

Looking at the group of countries for which MPI is calculated, it is observed that 79 percent of the OIC member countries are included in this group. Among the OIC member countries which have MPI values, 22 percent is upper-middle, 42 percent is lower-middle and 36 percent is low income countries (Figure). The population living in multidimensional poverty changes a lot among the OIC member countries. While in Kazakhstan this rate is only 1 percent, in Niger it reaches almost 90 percent. Totally, more than one-fourth of the total population in the OIC member countries lives under multidimensional poverty.

² Economist, <http://www.economist.com/news/leaders/21578665-nearly-1-billion-people-have-been-taken-out-extreme-poverty-20-years-world-should-aim>, 25.04.2016.

³ Source: World Bank, World Development Indicators

Figure 3: Share of Income Level Categories for the OIC Member Countries with Multidimensional Poverty (%)



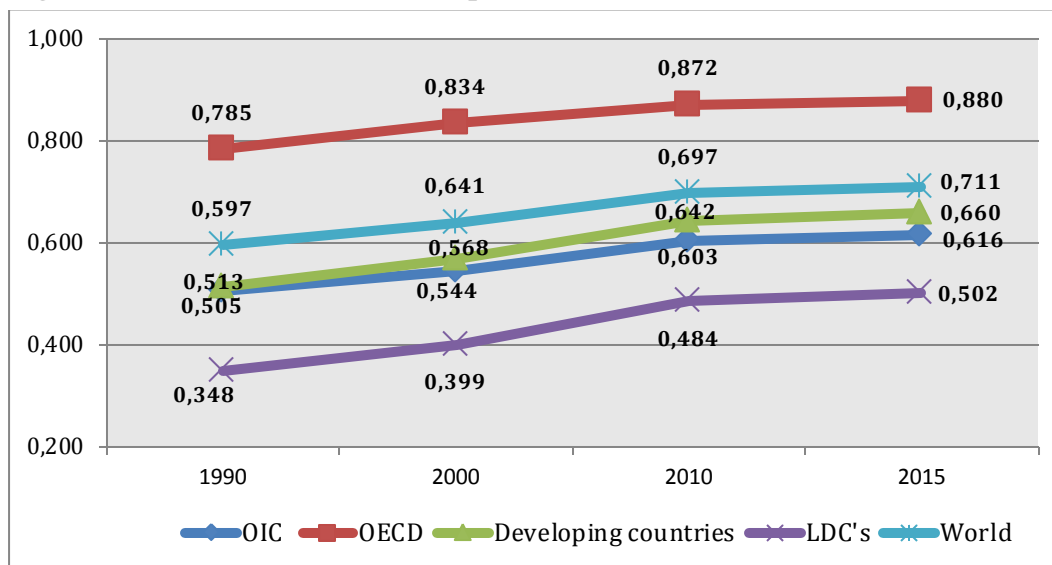
Source: UNDP, 2015 and the World Bank, 2015

The contribution of deprivation in education to overall poverty for the OIC Region is between 3.7 percent (Uzbekistan) and 50.1 percent (Iraq). The same range for the contribution of deprivation in health to overall poverty is between 20.3 percent (Mauritania) and 83.9 percent (Kazakhstan), and for the contribution of deprivation in living standards to overall poverty is between 3.5 percent (Jordan) and 51.9 percent (Uganda).

Human Development Levels in the OIC Member Countries

Human Development Index (HDI) shows that there had been an increase in human development worldwide between 1990 and 2015 (Figure 4). The world average had increased from 0,597 to 0,711. The OIC average rose from 0,505 to 0,616 and remained significantly below the OECD and world average during the same period. OIC's HDI values are only higher than those of LDCs. On the other hand, the gap between OIC and developing countries has widened in the last 25 years. In 1990, it was only 0,008 points whereas it has risen to 0,044 points in 2015, implying a more rapid progress in developing countries.

Figure 4: Trends in Human Development Index, 1990-2015

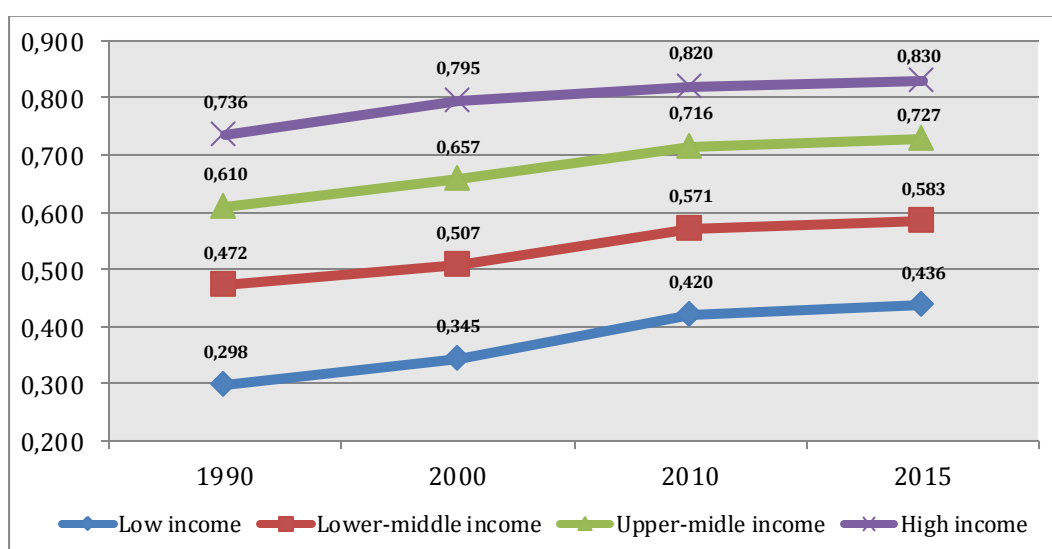


Source: UNDP 2015

Note: The averages are unweighted, i.e. each country in the groups has the same weight irrespective of its population.

Figure 5 shows the evolution of HDI for OIC member states in different income groups between 1990 and 2015. It reveals that there had been an improvement for each income group in the defined period. It also clearly shows that the HDI values are strongly associated with income level. The HDI values consistently increase as income level of a group of countries rises. High income and upper-middle income countries exhibit HDI trends that are over the OIC average and the lower-middle and low income countries have lower HDI values compared to the OIC average.

Figure 5: Trends in Human Development Index of OIC Member States by income groups, 1990-2015



Source: Created by the Authors, from UNDP, 2015

Note: The averages are unweighted, i.e. each country in the groups has the same weight irrespective of its population.

2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs)

2030 Agenda for Sustainable Development aims at achieving a transition from the Millennium Development Agenda through realizing the Sustainable Development Goals (SDGs). Millennium Development Goals (MDGs) had focused on the challenges of the poor countries, nevertheless the 2030 Agenda for Sustainable Development is a more comprehensive development agenda which concerns all countries regardless of their level of development.

Since the adoption of the MDGs, a great progress has been achieved worldwide. However, eradicating poverty remains one of the major global challenges for sustainable development and it occupies the first place on the Sustainable Development Goals (SDGs): "End poverty in all its forms everywhere".

The main challenges facing member countries in achieving the MDGs were, among others, the lack of political will and commitment to the MDGs, poor infrastructure, underdeveloped institutional capacity including implementation capacity, the lack of adequate financial resources, the global economic situation and unfavorable trade conditions, the lack of inclusive growth, the lack of an enabling environment-including conflicts and disaster-related challenges- to attract investment and encourage private sector development. Nevertheless, taking into account the challenges of the MDGs as well as the more ambitious context of the SDGs, the implementation of the SDGs has uttermost importance.

Therefore, the most critical success factors in implementing the SDGs, namely capacity building, data and monitoring, finance, governance and policy coherence, should be addressed properly by the governments. International and regional development actors will also have a crucial role in the implementation of the SDGs through turning the goals and targets into action.

Efforts under the COMCEC

- **Seventh Meeting of the Poverty Alleviation Working Group**

Given the importance of social protection as a core component of the national development policy, and since covering vulnerable groups is a challenge for social protection programs, the Seventh Meeting of the COMCEC Poverty Alleviation Working Group, which was held on 11 February, 2016 was devoted to the subject of social protection programmes for vulnerable groups. During the Meeting, the analytical study entitled "Accessibility of Vulnerable Groups to Social Protection Programmes in the OIC Member Countries" and "COMCEC Poverty Outlook 2015" were considered by the participants. Discussions during the Meeting were also enriched by presentations of the member states, international organizations and NGOs.

In general, the OIC Member Countries have a broad range of social assistance, social insurance and labor market programs, however, coverage of the poor and vulnerable groups of society remains scattered and, in some cases, non-existent. Since the start of the global economic crisis, spending on social safety nets in some OIC states as a whole has increased from 10.1% of total expenditure before the crisis to 11.9% during the crisis and to 12.5% afterwards (4.16%, 4.44%, and 4.59% of GDP respectively). Countries in the low or lower-middle income groups, like Egypt and Yemen, extended eligibility criteria for subsidized food rations and cash transfers to vulnerable populations, which led to increased access by the poor or vulnerable populations. However, in the majority of OIC countries, spending on social protection remains relatively low in many cases.

Furthermore, despite occasional important government spending on health care, the vast majority of people across the OIC countries are subject to high out-of-pocket payments in order to have access to health services. The absence of affordable access to health care and prepayment schemes in many countries has compelled low-income households to pay a substantial share of their income for health services at the expense of other basic items, such as food, which often exposes them to a higher risk of being pushed deeper into poverty.

Coverage of social insurance programs in the OIC countries is ineffective. There are high levels of informal workers in the OIC Region. Only about 30% of the OIC population is covered by formal social insurance schemes and the remaining groups are in the informal sector.

In the OIC countries, social assistance and social safety net programs target the poor and the vulnerable, however, the wealthy populations also tend to constitute a remarkable share of social safety net beneficiaries. Almost all social assistance programs in the OIC countries fail to cover even 20% of the bottom quintile (the poorest groups), while some programs cover a substantial proportion (up to 11–12%) of the top quintile. In comparison to other world regions, there is clear underperformance in the OIC countries' social assistance and social safety net programs in terms of beneficiary incidence: in all other regions, the bottom quintile accounts for at least 30% or more of social safety net beneficiaries, with Latin America and the Caribbean leading the world at 36%.

Given the above-mentioned constraints, some major challenges for vulnerable groups in accessing social protection programs among the OIC countries are as follows:

- Inadequate access to basic services, particularly to education and health care services,
- Lack of differentiation between people who can work and people who cannot work, while designing Social Safety Net (SSN) programs,
- Low and inefficient public expenditures for social protection policies.

In light of these challenges, the Seventh Meeting of the Poverty Alleviation Working Group came up with the following policy recommendations:

1. Promoting formalization in the labor market through creating a regulatory environment for facilitating the transition of informal businesses to the formal sector, and increasing the productivity of informally employed and long-term unemployed people via training and skill-development programs and credit and business development services.
2. Promoting free and universal health care coverage for vulnerable groups.
3. Developing specific social safety net programs to improve the access of vulnerable children to health and education services to prevent intergenerational transmission of poverty.
4. Designing specific social safety net programs to offer a minimum regular income to people who cannot work (disabled, poor female-headed households, elderly without a pension), as well as developing social safety net programs (including activation programs) for people who can work.

The Proceedings of the Meeting and the presentations made during the Meeting are available on COMCEC web page (www.comcec.org).

- **Eighth Meeting of the Poverty Alleviation Working Group**

Forced migration has occupied an important place on the development agenda in recent years, and it is one of the most important agenda items regarding poverty in the OIC Member Countries. Nearly two thirds of all forced migrants originate from OIC member states (36

million people), and OIC countries are host to over half (55 percent) of refugees and asylum seekers worldwide.

Given the vital importance of the issue, the Eighth Meeting of the Poverty Alleviation Working Group was held on November 3rd, 2016 in Ankara, Turkey with the theme of “Forced Migration in the OIC Member Countries: The Policy Framework Adopted by Host Countries”. During the Meeting, the analytical study entitled “Forced Migration in the OIC Member Countries: The Policy Framework Adopted by Host Countries” and “COMCEC Poverty Outlook 2016” were considered by the participants. Presentations made by the representatives of member states, international organizations and NGOs also enriched the debates during the Meeting.

The top three refugee producing countries -Syria, Afghanistan and Somalia- are also OIC members and together account for nearly half of worldwide flows of forced migrants. The majority of these forced migrants coming from OIC Member Countries reside in other member countries: 74 percent have registered as refugees in a fellow OIC country.⁴ For instance, 86 percent of the 4.9 million Syrian refugees have been under protection in neighboring countries, namely Turkey, Jordan and Lebanon.

OIC Member States have undertaken different approaches to humanitarian assistance and protection. Among the OIC countries, few have adopted legal frameworks to provide protection to forced migrants; and the existing legal frameworks do not permit long term residency in the host countries. Limited access to legal residency status in many countries has been a major driver of poverty among forced migrant populations. Temporary permits cause problems with regards to accessing basic services.

Most national governments do not have reliable statistics on the number or characteristics of forced migrants in their countries. This is the first and most critical step to being able to design and implement better policies to serve both host and refugee populations. Nevertheless, large-scale forced migration flows make it almost impossible for the host governments to handle registration, reception and integration responsibilities properly.

The lack of a means to earn a living is one of the key challenges facing forced migrants and their families and it has implications on their vulnerability in having access to housing and education. Providing the necessary legislation and regulations to allow for work and educating employers and authorities about their provisions may not be enough. In most situations, there is a need for other supporting measures such as policies to help recognize migrants' credentials or skills, or to help them learn the local language or upgrade their skills to better match local labor market needs.

Considering the aforementioned issues, the Eighth Meeting of the Poverty Alleviation Working Group came up with the following policy recommendations:

1. Developing a sound policy framework at the national level coherent with legislations and mechanisms in the host countries and strengthening their institutional and human capacity in order to manage diverse set of forced migration flows and address the needs of migrants
2. Facilitating access to safe and affordable housing with a view to decreasing housing shortages and the economic burden on both migrants and host communities and allowing them to actively participate in daily life in the host country

⁴ UNHCR, “Population Statistics”

3. Increasing the forced migrants' access to labour market through providing work permits and developing programs for upgrading their skills with a view to enhancing self-sustainability
4. Ensuring forced migrants' access to health and education services through eliminating the practical barriers including linguistic disparities and service fees
5. Collecting reliable data on forced migrant population with a view to increasing the efficiency of policy making and monitoring as well as evaluation processes
6. Mobilizing the international and OIC support and resources for alleviating poverty among the forced migrants

The Ninth Meeting of the Poverty Alleviation Working Group will be held on April 6th, 2017 with the theme of "Malnutrition in the OIC Member Countries: A Trap for Poverty".

- **COMCEC Project Funding (PCM)**

Through the other important instrument for the implementation of COMCEC Strategy, the COMCEC Project Cycle Management (PCM), the Member Countries registered to the Poverty Alleviation Working Group and the OIC Institutions working in the economic domain can propose multilateral cooperation projects.

Within the framework of the third Project Call made in September 2015, the following project proposed by Indonesia is being implemented:

- Indonesia's project is entitled "Developing Local Initiatives for Poverty Alleviation through Community-Based Sustainable Livelihood in OIC Member Countries. The main purpose of the project is to develop a model of local community-based poverty alleviation for the poor along country borders and in backward areas in collaboration with partner countries: Malaysia and Turkey.

For the new projects to be implemented in 2017, CCO has already announced the fourth project call in September 2016. Six projects from Albania, Cameroon, the Gambia, Indonesia, Jordan and Suriname have been shortlisted in poverty alleviation area.

- **Other Ongoing Programs for Alleviating Poverty under COMCEC**

Other ongoing programs for alleviating poverty under COMCEC are: Islamic Solidarity Fund for Development - ISFD (within the Islamic Development Bank), Special Program for the Development of Africa - SPDA (within the Islamic Development Bank), OIC Vocational Education and Training Programme - OIC-VET (Within SESRIC) and OIC Cotton Program.

- The Islamic Solidarity Fund for Development (ISFD) is a special fund established in line with the relevant resolution of the 3rd Extraordinary Islamic Summit within the Islamic Development Bank (IDB) in 2007. It was initiated with the purpose of alleviating poverty through enhancing the productive capacity of the poor, reducing illiteracy and eradicating diseases and epidemics, particularly Malaria, Tuberculosis (TB) and HIV/AIDS, in the Member Countries. The targeted budget of the Fund is USD10 billion. The Fund was established in the form of a Waqf, meaning that the activities and projects under the ISFD can only be financed from the revenues obtained from its capital resources. The total amount of received contributions so far is US\$ 2.48 billion. The Flagship Programmes developed under the ISFD include: Micro-Finance Support Programme (MFSP), Vocational Literacy Programme (VOILP), Sustainable Villages Programme (SVP), Save the Mother's Programme and the Renewable Energy Programme for the Poor. All of these programmes are now in

operation in various countries especially in the Least Developed Member Countries. There has been a total of US\$ 665 million approved from ISFD funding, with a disbursement of around 25 percent. A large bulk of the ISFD financing has gone to Sub Saharan Africa followed by Central Asia, Asia and the MENA region. In terms of sectors, the major part of the financing has been for the rural development, education and the health sectors, followed by micro-finance.

- The Special Program for the Development of Africa (SPDA) is another program developed in line with the relevant decision of the 3rd Extraordinary Islamic Summit to alleviate poverty in the Member States in Africa. The program was initiated in 2008; the main objectives of the SPDA are to contribute effectively to the fight against poverty, the emergence of sustainable economic growth and the reinforcement of regional integration. The target capital of the SPDA is USD 12 billion. So far, the amount of total disbursements is US\$ 2.7 billion with a disbursement rate of 54 percent.

- The Vocational Education and Training Programme for the OIC Member Countries (OIC-VET) was initiated by SESRIC in 2009. The main aim of the Programme is to improve the quality of vocational education and training in the public and private sectors and to enhance opportunities for people in the Member Countries. Capacity building programmes have been initiated in 25 different social and economic programmes with many sub-themes within the framework of OIC-VET.

- Within the framework of the OIC cotton initiative, the OIC Five-Year Cotton Action Plan (2007-2011) was endorsed by the 22nd Session of the COMCEC, with the aim of enhancing trade, investment and technology transfer in/among cotton producing Member States, particularly in Africa. The Action Plan has been extended for a further five years (2012-2016). So far, eight projects have been approved to be financed by the IDB. The Program's term will be completed by the end of 2016.

