

ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA (ESCWA)

ACTIVE LABOUR MARKET POLICIES IN ARAB COUNTRIES

United Nations

Distr.
GENERAL
E/ESCWA/SDD/2012/1
26 March 2012
ORIGINAL: ENGLISH

ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA (ESCWA)

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United Nations
New York, 2012

12-0046

Acknowledgements

Active labour market policy (ALMP) is an instrument used by governments around the world to improve the functioning of labour markets, improve the employment situation and assist people in upgrading their skills in line with market needs. The purpose of this study is to look at the extent to which Arab Governments use ALMPs, to see how the different elements are integrated and how they benefit different social groups in need of support. The research presented in this issue was conducted as part of the ongoing efforts of the Social Policy Section within the Social Development Division of the United Nations Economic and Social Commission for Western Asia (ESCWA). The research presented in this issue was conducted as part of the ongoing efforts of the Social Policy Section to build a knowledge base and enhanced expertise on labour policies and social protection in the ESCWA region.

The present paper was written by Ms. Diane Zovighian, under the guidance of Ms. Gisela Nauk (Chief, Social Policy Section) and Mr. Frederico Neto (Director, Social Development Division). It builds on extensive research with the support of Ms. Lina Nassar and Ms. Christine Rouhana (Research Assistants) and in collaboration with a group of focal points in ESCWA member countries, who were actively engaged in data collection and in the review of the findings.

The present paper benefited from the helpful advice and reviews of Mr. Zafiris Tzannatos, Senior Advisor at the International Labour Organization. The present paper was also enriched by the inputs and comments of government officials and labour specialists who participated in the Expert Group Meeting and Workshop on Labour Markets in the ESCWA Region, held in March 2011 at the United Nations House in Beirut, where a draft version was presented.

The paintings on the cover page were kindly provided by the Lebanese artist, Mr. Issa Halloum.

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Executive summary

Recent protests in the region have revealed the social and political costs of high levels of unemployment, underemployment and informality, in particular among youth, and the need to develop and implement policies that can successfully enhance labour and socioeconomic opportunities for all.

With the aim to inform and support public intervention in the labour markets, the present paper considers and analyses the experience of developing and implementing active labour market policies (ALMPs) in the Arab region, and examines the options, opportunities and constraints for the development of inclusive and efficient ALMPs.

The present paper is organized in two main sections. The first section discusses experiences with ALMPs in developing, transitioning and developed countries worldwide. It examines their use, strengths and weaknesses and the policy questions they raise, including targeting, public and private responsibilities, and impact assessment. This section underlines that the choice and design of ALMPs are context-specific: they are determined and shaped by the economic, political and social objectives of policymakers and by the structure of the labour market and the administrative and financial capacities of the State.

The second section provides an overview of selected ALMPs in the countries of the Economic and Social Commission for Western Asia (ESCWA). It builds on original research and data collection on 85 programmes across the region and examines the rationale, objectives, target groups, size and overall design of these programmes and examines key policy questions specific to each category of ALMPs. This section identifies key trends and lessons on ALMP provision in Arab countries, including the following:

- Youth are a recurring target group of ALMPs.

Even prior to the 2011 youth-led protests and revolts, Arab Governments were aware that youth unemployment represented a major socioeconomic challenge. The 2011 events, however, call for scaling up youth-targeted ALMPs, in particular to facilitate the transition of youth from school to work.

- Training programmes and micro, small and medium enterprise (M/SME) development programmes are among the most popular policy options.

Policymakers in the region believe that the skills mismatch and insufficient job creation are the main obstacles to full employment. However, the effectiveness of their policies is hindered by the fact that they tend to implement stand-alone programmes rather than broad labour strategies

- ALMPs tend to have a low coverage.

Increased resources need to be invested in ALMPs to widen their coverage and enhance their impact on unemployment.

- Some segments of the labour force have particularly inequitable access to employment services.

Women, rural populations and informal workers need to be further mainstreamed in the design of ALMPs.

- Data gathering and use at different stages of the development, implementation and assessment of ALMPs remains weak.

The design of ALMPs tends to be insufficiently informed by labour market data, thus hindering their market relevance and effectiveness. Furthermore, very little data are gathered on the impact of ALMPs.

There is an urgent need to address the data gap, through the development of comprehensive and comparable databases, whether on socioeconomic challenges or on the effects of public policies.

- The level of policy integration tends to be relatively low.

There is a clear need to design integrated ALMPs that provide beneficiaries with complementary services, including training, career guidance and job matching. This requires enhanced coordination between all the public agencies involved in the development and implementation of ALMPs.

- The level of coordination with and regulation of non-State providers (whether donors, non-governmental organizations (NGOs), or private service providers) remains low.

Donors play a fundamental role in ALMP development, funding and provision. Enhanced coordination would help to prevent programme replication and foster the development of comprehensive and complementary ALMPs. Both the private sector and NGOs are playing an increasingly active role throughout the region. Yet, further regulation of their establishment and activities is needed, including the development of quality standards.

- Partnerships between Governments and private businesses remain underdeveloped.

Private businesses as sources of information, funding or expertise, remain undervalued by Governments, and their resources remain untapped. Partnerships between Governments and private businesses therefore need to be established or strengthened.

These lessons learned from the review of ALMPs in Arab countries indicate that Arab States need the following: (a) to enhance willingness and capacity to set evidence-based and equality-oriented social, labour and economic goals; (b) to strengthen governance structures and processes that facilitate the coordination and integration of policies across ministries and public agencies; and (c) to increase their understanding of the benefits of partnerships with non-State actors, whether donors, NGOs or the private sector, and possible strategies for regulating their engagement.

ABBREVIATIONS

ALMP	Active labour market policy
ESCWA	Economic and Social Commission for Western Asia
GCC	Gulf Cooperation Council
HRDF	Human Resources Development Fund (Saudi Arabia)
MGRP	Manpower and Government Restructuring Program (Kuwait)
M/SME	Micro, small and medium enterprise
NGO	Non-governmental organization
OECD	Organisation for Economic Co-operation and Development
PES	Public employment service
PWP	Public works programme
SFD	Social fund for development
SME	Small and medium enterprise
TVET	Technical and Vocational Education and Training

Introduction

The social and political upheavals that shook the Arab region in 2011 crystallized the attention of policymakers on the labour challenges facing Arab countries. In the wake of protests, revolts and political changes, the social and political risks associated with unemployment, underemployment and informal employment, particularly among youth, swiftly materialized, and in the course of a few months, labour policy rose to the top of the agenda of policymakers throughout the region.

Labour challenges were already documented and debated by most Governments and donor agencies before the Arab Spring, yet, their urgency was largely underestimated. The region has witnessed high rates of labour-force growth and unemployment for the past twenty years. Concurrently, new challenges and opportunities have emerged that relate to the changing regional and global economic environments. For example, the growing role of the private sector in economic growth and job creation and the integration of the region in the global economy have exposed the low level of labour productivity in the region, and its effect on the employability of the labour force and the competitiveness of the economy. In more recent years, the growing international consensus on the need to support “decent work” slowly raised awareness on the negative social outcomes of high levels of informal employment and segmented labour markets, thereby emphasizing the relevance of job quality and equality on the policy agenda.

Such a complex policy agenda has motivated direct public intervention in the labour markets throughout the region over the past decades. Active labour market policies (ALMPs) have been one of the main components of governmental response. ALMPs include public employment services (PESs), employment subsidies, trainings programmes, public works programmes (PWPs), and micro, small and medium enterprise (M/SME) development programmes.

The recent crisis and the rise of labour policy to the top of the agenda call for an assessment of the region’s previous experience with ALMPs to inform the decisions of Governments. The present paper, therefore, discusses the strengths and weaknesses of ALMPs as a response to labour-market challenges and related social challenges and examines the experience of member countries of the Economic and Social Commission for Western Asia (ESCWA)¹ with such programmes.

The first section of the paper discusses experiences with ALMPs in developing, transitioning and developed countries worldwide. It examines the different categories of programmes, their use, strengths and weaknesses and the policy questions they raise, including targeting, public and private responsibilities and impact assessment. It underlines that the choice and design of ALMPs are context-specific: they are determined and shaped by the economic, political and social objectives of policymakers and by the structure of the labour market and the administrative and financial capacities of the State.

The second section provides a selected overview of ALMPs in the ESCWA region. It builds on original research and data collection on 85 programmes across the region. The data collection methodology of the present paper is described in box 1. The present paper examines the rationale, objectives, target groups, size and overall design of these programmes, and examines key policy questions specific to each category of ALMPs. This overview aims to participate in the building of a regional body of knowledge on ALMPs. It identifies challenges for the development of labour policies in the region and key recommendations which relate to the following: increasing the coverage and outreach of ALMPs; mainstreaming women, youth and other vulnerable groups; fostering policy coordination and integration in the design and implementation of ALMPs; strengthening the role of the State in the planning and coordination of public and private ALMPs, and the regulation of the provision of services by private actors; building partnerships with private businesses; and developing monitoring and evaluation systems.

¹ The ESCWA member countries are: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, the Sudan, Syrian Arab Republic, United Arab Emirates and Yemen.

Based on the review of international and regional experience, the present paper argues for an integrated approach to ALMPs that does the following: (a) reconciles their economic, social and political functions and value; (b) recognizes them as a key element of a successful social development policy, and (c) operationalizes the crucial role of the State in developing and implementing efficient, well-targeted and equality-oriented ALMPs and facilitating balanced social development and social integration.

Box 1. Methodology

The overview of the experience of ESCWA member countries with ALMPs presented in this paper is based on a sample of 85 ALMPs, which are distributed as follows:

- 20 public employment services programmes across 12 countries, namely Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syrian Arab Republic and the United Arab Emirates;
- 7 employment subsidy programmes across four countries, namely Bahrain, Jordan, Saudi Arabia and the United Arab Emirates;
- 23 training programmes across 13 countries, namely Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates and Yemen;
- Six public works programmes across three countries, namely Egypt, Iraq and Yemen;
- 29 M/SME development programmes across 13 countries, namely Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates and Yemen.

The list of programmes is not exhaustive and the overview presented in this paper is not meant to constitute a comprehensive inventory of ALMPs in the ESCWA region. Yet, a wide array of programmes reflecting mainstream practices are covered and the sample illustrates the main facets of public intervention in the labour markets and shows trends in labour policy in the region.

For all the programmes, data were gathered, where available and relevant, on the following:

- The objectives;
- The target group;
- The budget and duration;
- The services provided;
- The institutional set-up for service delivery;
- The number of beneficiaries (whenever possible by age group, sex and skill level);
- The role of donors, NGOs and the private sector in funding and implementation.

The sources of data and information included:

- Reports and websites of the programmes or the implementing agencies/ministries (all sources were public and official);
- Questionnaires sent out to ESCWA Governments;
- Interviews with ESCWA officials.

I. ACTIVE LABOUR MARKET POLICIES: OPTIONS AND INTERNATIONAL EXPERIENCE

Choosing the appropriate combination of ALMPs and settling on their financing, design and implementation requires a clear understanding of the capacities of Governments, their policy constraints and windows of opportunity, and evidence-based insights on the effectiveness of ALMPs in different economic and institutional contexts.

With the purpose of providing building blocks to frame the policymaking process, this section outlines the diverse rationales that can shape the choice and design of ALMPs. It then provides an overview of the different categories of ALMPs and their use, strengths and weaknesses in developing, transitioning and developed countries and sets forth key policy challenges for their development and implementation.

A. RATIONALES FOR THE DEVELOPMENT OF ALMPs

Multiple rationales underlie and shape the development of labour policy. Emphasis is generally placed on the economic function and objective of ALMPs; depending on their design, however, they can also fulfil a variety of social and political functions and objectives. The choice and design of ALMPs depend on the approach of policymakers to public intervention in the market and their broader economic, social and political priorities.

From an economic perspective, labour policies aim to correct labour-market failures, including the lack of information flow between jobseekers and businesses or the mismatch between the skills of the labour force and the skills needed by employers. Labour policies can also aim to compensate for the low level of labour demand resulting from capital-intensive development models or economic downturns. For this purpose, ALMPs are geared towards facilitating the match of labour supply and demand, enhancing workers' skills and productivity and fostering job creation. Their overall aim is to allow for the efficient functioning of the labour market and the full utilization of human resources to facilitate economic growth.

To develop ALMPs that are economically efficient policymakers must identify the strengths and weaknesses of labour demand, labour supply and matching mechanisms in the different segments of the labour market (including rural and urban; formal and informal; high-skilled and low-skilled; male and female; expatriate and local), and the nature of unemployment (structural, frictional or cyclical). Policymakers need a clear understanding of the specific features of the labour market and a thorough and evidence-based diagnosis of labour-market challenges to create appropriate policy responses. Low labour demand can be addressed by fostering job creation through the development of public works, the provision of employment subsidies or the initiation of microenterprise development programmes. The employability of the labour force can be enhanced through the development of on-the-job training programmes or those for the unemployed. As for the mismatch of labour demand and supply, whether in the public or the private sector, the development of employment services can address this challenge.

This emphasis on the economic rationale is justifiable, but ALMPs also perform a variety of social and political functions. They can facilitate the integration of excluded social groups and subsequently strengthen the social fabric. The development of public works can facilitate labour-market reintegration of those who are low-skilled and unemployed. Similarly, the development of wage subsidy programmes targeted at vulnerable groups can help prevent their exclusion from the labour market. ALMPs can also facilitate balanced social development and social integration when designed to help the expansion of job opportunities in rural or disadvantaged areas facing higher rates of unemployment. Furthermore, programmes may help prevent social and political unrest if they facilitate the access of youth or vulnerable populations to the labour market in times of crisis. ALMPs are therefore of paramount importance and utility for politicians: they are tools to address social exclusion or political unrest, notably in times of crisis. This is all the more true in developing and transitioning countries in the ESCWA region, where informal workers and the working poor

amount to a large share of the labour force,² rural development remains a challenge³ and the youth bulge calls for greater attention to the issue of youth unemployment.⁴

B. ALMPs: TYPES OF PROGRAMMES AND INTERNATIONAL EXPERIENCE

An analysis of available ALMP options and experience can facilitate the identification of best practice. Region-wide or international inventories of ALMPs and comparative assessments of their impact are limited, especially in the developing world and in particular in the ESCWA region. International overviews provide tentative conclusions that relate mainly to the effects of the programmes on unemployment rates and earnings.⁵

A brief description of the different types of programmes is provided below, along with an examination of the labour challenges they address, the resources they require and their underlying rationales and objectives. In addition, preliminary conclusions are set forth, on their potential labour and social impact, based on available studies. Whenever possible, the present paper attempts to highlight differences in approaches to and uses of ALMPs in developing, transitioning and developed countries.

The effort to highlight differences between developing, transitioning and developed countries is motivated by the recognition that their market structures and the challenges they face vary significantly. For example, the informal sector and the agricultural sector tend to account for a larger share of employment and economic activities in developing countries. Similarly, the availability of financial and administrative resources, which shapes governmental decisions regarding the choice, scope and design of ALMPs, also varies considerably between developing, transitioning and developed countries. Accordingly, a “one-size-fits-all” approach to ALMPs is not advisable: policy responses need to be adjusted to the specific challenges, needs and capacity of a country. This applies to the ESCWA region where there is striking internal diversity, in terms of economic and institutional development. The ESCWA region includes countries with wide-ranging income levels. There are labour-importing and labour-exporting countries in the region and each has different policy needs, capabilities and levels of resources to allocate to ALMPs. Countries in the region wishing to develop ALMPs should learn from the experience of countries with similar levels of public resources and administrative capacity, labour-market structures (including the size of the informal sector, distribution of public versus private employment, age, female and male participation and the skills structure of the labour force) and labour-market challenges (for example youth unemployment, lack of job creation, skills mismatch). Given available ALMP impact assessment studies,⁶ Gulf Cooperation Council (GCC) countries may wish to rely on existing studies for Organisation for Economic Co-operation and Development (OECD) countries while most non-GCC ESCWA member countries may turn to studies on the experiences of Latin America or Eastern Europe.

1. *Public employment services*

Employment services are one of the main policy responses to structural and frictional unemployment in the formal labour market. Their primary function is to ease the information flow between jobseekers and businesses and to facilitate the matching of labour supply and demand, thereby smoothing the functioning of the labour market and potentially reducing the duration of the unemployment of beneficiaries. More generally, they are expected to assist jobseekers, providing them with support and guidance.

² Tzannatos, 2009, pp. 14-16.

³ ESCWA, 2009.

⁴ ESCWA, 2006.

⁵ Dar and Tzannatos, 1999; Betcherman, Olivas and Dar, 2004; Estevão, 2003; Card, Kluve and Weber, 2009; Kluve, 2010.

⁶ Dar and Tzannatos, 1999; Betcherman, Olivas and Dar, 2004; International Labour Organization, 2008.

PESs include matching jobseekers to job opportunities sent by employers; counselling jobseekers (which can range from job counselling, career guidance, medical, banking or psychological counselling); and the provision of infrastructure and material (for example computers) to facilitate jobseekers' access to potential employers and the preparation of their applications. These services can be provided in combination with trainings, in which case close cooperation between employment offices and training institutes is required. In some countries, employment offices have the possibility to resort to withhold unemployment benefits if jobseekers do not participate in counselling or training programmes.

Employment services are provided through public and private employment offices. PESs tend to be provided by the Ministry of Labour. When public and private employment agencies coexist, employment services tend to be segmented. The disadvantaged and long-term unemployed tend to use public employment services, while privileged and white-collar workers tend to use private employment services.⁷

The decentralization of employment services can be a key element of success: the knowledge of local authorities of the potential and limitations of the local labour market can increase the efficiency of local employment offices.⁸ Services can be provided through regions or municipalities. Given the institutional capacity required of local governments, the delivery of decentralized services is more easily implementable in developed countries than in transitioning or developing countries, where local governments tend to have low institutional capacity.

PESs do not place an excessive burden on the budget of a State: they are generally less costly than other types of ALMPs. They also usually appear to have positive effects on employment and earning in developed and transitioning countries, and tend to have a positive cost-benefit ratio although little evidence on the impact of PESs is available for developing countries.⁹

One of the main challenges in developing countries is the large share of informal employment. Employment services cater to the formal sector and the presence of a large informal labour force limits the coverage of employment services. Studies have documented the fact that workers in the informal sector use alternative job search channels, including family and social networks.¹⁰ The segmentation of the labour market in developing countries therefore appears to be paralleled, and potentially reinforced, by the segmentation of job search methods and services. Thus, a major challenge for policymakers in developing countries with a large informal sector lies in reaching out to informal workers and facilitating their access to employment services and the formal job search system.

2. *Employment subsidies*

Employment subsidies aim to sustain or increase labour demand, mainly through the reduction of labour costs for employers. Employment subsidies fall into different categories and include hiring subsidies, stock subsidies, short-term work subsidies, and permanent employment subsidies. They can be used to prevent job losses in times of crisis, to facilitate job creation in times of recovery or to overcome the structural unemployment of vulnerable and marginalized groups.

In terms of design, employment subsidies can be paid to the employer, the worker or both. They can be provided in the form of financial allowances, reductions in payroll taxes or credits on social security contributions.

⁷ Kluve, 2010, p. 905.

⁸ Lundin and Skedinger, 2006, pp. 775-798.

⁹ Betcherman, Olivas and Dar, 2004, pp. 21-24.

¹⁰ Ibid., p. 24.

Hiring subsidies are temporary subsidies aimed at facilitating the hiring of unemployed workers especially, but not exclusively, in times of recovery from crisis. They can be general or targeted to certain vulnerable groups (youth, women or disabled workers), industries or geographic locations. Targeted hiring subsidies can allow for a more balanced distribution of unemployment across labour-force groups, reflecting policymakers' consideration of equality.¹¹

While hiring subsidies are geared towards job creation, stock subsidies and short-term work subsidies aim at job preservation, particularly in times of crisis. Stock subsidies are untargeted employment subsidies that reduce the employment cost through general reductions in employer contributions to social security.¹² Short-time work subsidies are also a common policy tool to preserve jobs during crisis. These schemes encourage work sharing among workers in firms where labour demand is temporarily low and provide income support to these workers to compensate for their reduced number of working hours. In contrast with stock subsidies, short-time work subsidies tend to be targeted to jobs in industries affected by economic downturns. While stock subsidies are easier to implement, they also tend to be less cost-effective.¹³

Permanent employment subsidies aim to address the structural unemployment of vulnerable workers, including low-skilled or low-wage workers and persons with disabilities. These subsidies affect labour demand by decreasing the cost of these categories of workers for employers; they can also affect labour supply by bridging the gap between the reservation wages of such workers and real wages in the labour market, thereby encouraging participation in the labour market among low-skilled or low-wage workers or other vulnerable groups.

In addition to their role in preventing unemployment, permanent employment subsidies also have a number of direct social effects, which include preventing workers from drifting into informal labour or improving conditions for the working poor. Indeed, by supporting the participation of vulnerable workers in the formal labour market, these subsidies decrease exclusion and discourage informal labour. Wage subsidies that provide additional financial resources to low-paid workers can be part of poverty reduction strategies for the working poor. Thus, permanent employment subsidies can promote social inclusion.

Few studies rigorously measure the impact and effectiveness of employment subsidies, especially in developing countries. This stems from both methodological obstacles (such as finding the appropriate control group) and the difficulty of measuring the deadweight and substitution effects of subsidies.¹⁴ Moreover, most of the studies focus on either employment or earning, rather than both.¹⁵

Despite these limitations, some tentative conclusions can be applied to developed countries. On the whole, it is unlikely that subsidies have a long-term impact on employment and earnings.¹⁶ Stock subsidies appear to have lower cost-effectiveness than other employment subsidies; they also tend to result in high deadweight losses.¹⁷ Despite uncertainties regarding their actual deadweight and displacement effects, short-term work schemes appear to have yielded positive results for short-term job preservation in OECD countries during the last crisis.¹⁸ Though employment is responsive to changes in labour costs, the actual effects of hiring subsidies on job creation are inconclusive: some beneficiaries may have found a job without

¹¹ OECD, 2010, pp. 9-10.

¹² Ibid., pp. 3-11.

¹³ Ibid.

¹⁴ Betcherman, Melten Daysal and Pagés, 2010, pp. 710-712.

¹⁵ Orszag and Snower, 2003, pp. 557-560.

¹⁶ Dar and Tzannatos, 1999, pp. 28-31.

¹⁷ OECD, 2010, pp. 4-5.

¹⁸ Ibid., pp. 5-9.

subsidies and some jobs may have been created out of a firm's need, regardless of the subsidy. A key issue here is that of targeting, which can help reduce the deadweight effect.¹⁹ The literature on the deadweight and substitution effects of targeted subsidies (both hiring and permanent) in OECD countries has provided policymakers with figures that call for a cautious use of subsidies: estimates of deadweight effects in Sweden amount to 60 per cent; in Australia, Belgium, Ireland and the Netherlands they amount to 90 per cent.²⁰ Overall, the use of employment subsidies requires complete information about firms²¹ and careful targeting. These requirements are a challenge in developed countries and the challenge is even greater in developing countries where the administrative capacity of the State is limited, as is its ability to gather information and implement adequate targeting strategies.

3. Training programmes for the unemployed and on-the-job training programmes

Training programmes aim to enhance the employability or the productivity of workers or both. They fall into two broad categories: training or retraining for the unemployed and on-the-job training.

One of the main causes of structural unemployment is the mismatch between the skills of workers and the needs of employers. Training programmes for the unemployed are designed to address this mismatch: their purpose is to provide beneficiaries with skills adapted to the needs of the labour market, thereby facilitating the reintegration of unemployed workers into the labour force and preventing them from falling into long-term unemployment. In contrast, the objective of on-the-job training programmes is to enhance the skills and productivity of employed workers, thereby enhancing the competitiveness of the economy.

Depending on their nature and target groups (for example low-skilled unemployed, high-skilled unemployed), training programmes can provide a wide range of skills, from basic skills such as literacy or computer skills to vocational skills.

Designing training programmes that respond to the actual needs of the labour market is one of the main challenges facing policymakers. This requires a demand-focused analysis of education and training needs, that is, an understanding of the skills needed by a country as a function of its economic development path, including the role of "foreign direct investment, trade penetration, and industrial policies in inducing skills-biased technological change".²² Contrasting this information with the actual structure of the labour force, including skill level, should provide insights on actual training needs.

The segmentation of the labour force between the formal and informal labour market also requires the attention of policymakers. Training programmes for the unemployed and on-the-job trainings are mainly targeted at formal sector needs. In developing countries with large informal sectors, workers may acquire skills through other channels than formal training or schooling, including "apprenticeships in informal or traditional training systems".²³ Mapping the different systems and examining their capacity can allow for a more effective integration of the needs of informal workers in labour policy.

The funding schemes and set-up of training programmes in both developed and developing countries raise a number of policy questions.

¹⁹ Betcherman, Melten Daysal and Pagés, 2010, pp. 710-722.

²⁰ Bucher, 2009, p. 553.

²¹ Girma et al., 2008, pp. 1179-1181.

²² Fasih, 2008, p. 9.

²³ Ibid., p. 14.

Training programmes tend to take up the lion's share of the budgets allocated to ALMPs.²⁴ Training programmes have traditionally been funded by public ministries, but new financing schemes are gaining prominence, including national training funds. A training fund is a "stock or flow of financing outside normal Government budgetary channels dedicated to developing productive work skills", which serves to do the following: "(a) unify various sources of financing for training; (b) augment the volume of resources for training; and (c) allocate the funds in accordance with national policies and priorities".²⁵ These funds allow for the centralization and increased coordination between sources of financing, including from the public sector, from private businesses and from bilateral and multilateral donors.²⁶

The issue of funding directly relates to the distribution of roles between different State and non-State actors. The distribution of responsibilities between the public and private sectors in the development of training programmes can adopt different patterns. The public sector may act as the developer and implementer of training programmes (notably through public training institutions). Yet, in most countries, private businesses or training institutes are involved at some stage of the development or implementation of training programmes.

Private businesses may participate in the financing of training programmes, notably through the proceeds of fees or the funding of training programmes for their employees. They can also be associated with curricula development. Their involvement can ensure that trainings are demand-driven and that their content responds to labour market needs.

The Government can delegate the delivery of trainings to private institutes and pay the training costs or provide subsidies to trainees or both. Some private training institutes also operate independently from State actors, collecting fees from trainees or benefiting from grants from donors. In some countries, private training institutes may be more aware of and responsive to the needs of private businesses than public training institutes, thus providing trainees with services and skills that are better-adapted to the needs of the labour market. However, in many cases, and particularly in developing countries, the lack of accreditation mechanisms and quality assurance raises real challenges. In the absence of quality control over the curricula and trainings of private institutes, the diplomas and certificates they deliver are recognized neither within the country where the training was delivered nor abroad. Such trainings are unlikely to improve the marketability of trainees or their ability to find a job after the training.

As is the case for other ALMPs, the restricted number of assessment studies and the limited availability of data call for a cautious handling of conclusions on the effects of training programmes on employment and earnings. Available studies indicate that training programmes have differentiated impacts in developing, transitioning and developed countries. For example, while training programmes for youth have a negative impact on employment and earnings in developed countries, experience in Latin American countries reveals that they can have positive effects on youth employment in developing countries. Training programmes for the unemployed have positive impacts on employment in developed and transitioning countries. Yet, effects on earnings do not follow the same pattern: training programmes for the unemployed appear to have positive effects on earnings in transitioning countries but no effect in developed countries. The restricted number of studies of developing countries seems to indicate that training programmes for the unemployed have no positive effect on either employment or earnings.²⁷

Available assessment studies examine mainly the economic effects of training programmes, specifically their impact on employment and earnings. Yet, trainings, especially trainings for the

²⁴ Betcherman, Olivas and Dar, 2004, p. 10.

²⁵ Johanson, 2009, pp. 3-4.

²⁶ Ibid., pp. 4-5.

²⁷ Betcherman, Olivas and Dar, 2004, pp. 25-29.

unemployed, can fulfil a number of social functions. They can represent a “meaningful activity” to participants that “may help to prevent social isolation and psychological problems during a period of non-employment”.²⁸ They ensure unemployed workers stay in contact with the labour market and help prevent social exclusion.

4. *Public works programmes*

Public works can be used to prevent poverty by creating temporary jobs for workers who have become vulnerable owing to an external shock such as an economic crisis or natural disaster. Such programmes can also be implemented to provide temporary income to disadvantaged and chronically poor populations and to low-skilled or unskilled workers, thereby temporarily alleviating poverty. Crisis mitigation and poverty alleviation are the two main objectives of PWPs. While middle-income countries tend to use PWPs as a temporary response to external shocks, low-income countries tend to use them on an ongoing basis as a poverty reduction measure.²⁹ In both scenarios, public works act as short-term safety nets (especially in the absence of social insurance systems) rather than as part of sustainable employment strategies. In fact, PWPs are associated with training programmes in very few countries, and only operate as ALMPs in selected middle-high income countries, with the clear aim to reintegrate workers in the labour market.³⁰

In addition to the creation of temporary job opportunities, the implementation of labour-intensive PWPs has potentially positive economic and social outcomes: they can serve to develop a country’s infrastructure (roads, irrigation systems, schools, and so on) especially where there is a need for it or to increase the availability of social services (such as day care).

In terms of design, PWPs provide job opportunities with wages at or below the wage level for unskilled labour in the labour market. Targeting is an important component of the design of PWPs. Policymakers can promote self-targeting (or self-selection), or they can target certain social groups or geographical regions based on a poverty mapping exercise.

In South Asia and East Asia, PWPs tend to be run by Governments, in others regions, including sub-Saharan Africa, donors, NGOs, social funds for development (SFD) and private subcontractors play a big part in developing and implementing PWPs.³¹

Impact assessments for developed and transitioning countries reveal that, while PWPs provide short-term benefits as temporary social safety nets, their mid- or long-term impact on workers’ post-programme employability, labour-force attachment and earnings tends to be negative.³² As for developing countries, despite the extensive use of PWPs, very few impact assessment studies are available, in part because monitoring and evaluation systems are weak or absent.³³ In general, PWPs are not designed to enhance the productivity of the worker. Yet, as components of social protection strategies they can be effective short-term safety nets and prevent unemployed and vulnerable workers from falling into poverty.

²⁸ Raaum and Torp, 2002, p. 211.

²⁹ Del Ninno, Subbarao and Milazzo, 2009, pp. 15-19.

³⁰ *Ibid.*, p. 8.

³¹ *Ibid.*, pp. 33-35.

³² Betcherman, Olivas and Dar, 2004, pp. 43-44.

³³ Del Ninno, Subbarao and Milazzo, 2009, pp. 44-59.

5. *Micro, small and medium enterprise development programmes*

Support to M/SMEs is considered to facilitate job creation through self-employment. Support for M/SMEs can be financial, through loans and access to liquidity, or advisory, through legal and tax advice and training on entrepreneurship or management.

M/SME development programmes can be the responsibility of the ministries of social affairs, labour or economy. In addition, in some developing countries, foreign donors play an important role in funding M/SME development programmes (generally focusing on microenterprises). In selected countries, such donor-supported programmes are implemented through SFD, managed by Governments.

The rationale of these programmes and their set-up vary significantly depending on the authority in charge. Management by the ministries of social affairs or by NGOs is generally associated with a poverty focus for providing minimal income to vulnerable groups, especially women, through the development of handicraft or other businesses. Though these types of programmes may act as temporary social safety nets, they do not constitute effective, long-term strategies for the integration of target groups in the labour market: the skills developed do not necessarily respond to labour-market needs and there is insufficient emphasis on the sustainability of the businesses. Programmes developed by the ministries of labour or economy tend to adopt a more business-oriented approach and follow stricter guidelines in the screening of clients.

The involvement of private banks in the delivery of financial services can have positive effects on microenterprise development programmes: their network and financial systems can serve to channel loans and their involvement can imply greater emphasis on the business orientation of M/SMEs. Their involvement, however, needs to be paralleled by “technical support to develop the loan screening and monitoring capabilities required for successful micro and small businesses lending”.³⁴

Available evaluations do not provide definitive conclusions on the impact of M/SME development programmes, whether on post-programme employment prospects or earnings. Yet, they indicate that these programmes have positive impacts for older and better-educated individuals. They also indicate that the impact of these programmes is more likely to be positive when financial aid is combined with technical and advisory services.³⁵

C. CROSS-CUTTING POLICY QUESTIONS

This brief overview of ALMPs points to a number of cross-cutting policy issues that relate to the targeting of ALMPs, the roles and responsibilities of public and private actors, and the assessment of ALMPs. The responses provided to such policy issues are mainly determined by policymakers’ understanding and analysis of labour-market challenges, their belief in the economic, social or political objectives and functions of ALMPs, and the administrative and financial resources and capacity available. All these questions directly or indirectly relate to the role that the State can and is expected to play in labour policy and social policy in general.

1. *Targeting ALMPs*

Targeting is a challenging issue for the design of ALMPs. It requires both a clear understanding of labour-market structure and challenges and adequate financial and administrative resources.

The identification of target groups for ALMPs must be based on an evidence-based analysis of labour-market structures that informs policymakers on the groups most vulnerable to unemployment or other labour

³⁴ Tzannatos, 2000, p. 20.

³⁵ Betcherman, Olivás and Dar, 2004, p. 51.

challenges. Targeting requires differentiating between segments of the labour force. Some segments of the labour force are structurally disadvantaged in their access to the labour market because of their skill level, age, social status, disability, ethnic origin or gender, and often suffer from social exclusion. Other segments might not face structural obstacles for employment but become vulnerable to it in the aftermath of a crisis or of structural changes in the economy.³⁶ These groups require different policy responses and therefore need to be properly identified.

Furthermore, targeting requires substantial administrative capacity at the municipality or governorate level, to identify the relevant beneficiaries and target the services and benefits. This constitutes a challenge, especially in developing countries where institutional development and decentralization are limited.

The choice of target groups also has social and political implications. The vulnerability of specific groups (youth, women, minorities, rural population, persons with disabilities) and the threat that their unemployment represents to social cohesion and political stability can become a key variable in the choice, design and set-up of ALMPs. Social and political motivations underlie the targeting of youth and justify the preference for programmes that support this particular group. The issue of youth employment is more than an issue of labour-market efficiency and productive use of all human resources: youth unemployment has tremendous social and political consequences. As recent developments in the Middle East have shown, the exclusion of youth from socioeconomic development undermines the stability of the social fabric and threatens the foundations of the social contract, leading to social unrest and political upheaval. Similarly, the targeting of women has social and political significance. The development of gender-sensitive ALMPs as a policy response to the discrimination and disadvantages women face in the labour market reveals the commitment of a government to support social justice and the participation of all the components of society in social development. Hence, ALMPs demonstrate the will of a government to overcome labour-market inefficiencies and the choice of programmes and their design reflect a nation's value system and its social and political priorities.

2. Coordinating and regulating the roles and responsibilities of public and private actors

As observed in the overview of ALMPs, the role of the State in developing and implementing such programmes can vary significantly. It can act as both a source of funding and a service provider; it can also partner with the private sector, NGOs and international development organizations on either or both issues.

Financial constraints, which are determined by a country's level of economic development, tax model or access to rents, may provide incentives for ministries and State agencies to partner with non-State actors to facilitate interventions in the labour markets. Worldwide, developing and transitioning countries with limited resources tend to rely more extensively on the resources of external entities (including bilateral and multilateral development organizations, NGOs and the private sector) to develop and implement ALMPs.

International development organizations and NGOs tend to intervene in programmes targeting vulnerable populations or facilitating poverty alleviation. International development organizations, for example, are heavily involved in PWPs. Both international development organizations and NGOs fund or implement an important share of M/SME development programmes in many developing and transitioning countries.

The private sector tends to be more involved in programmes such as trainings and microenterprise development programmes. It can act as a source of funding for training (through contributions to national training funds or through the direct funding of on-the-job training programmes) or as a provider of training (through private training institutes). One of the main arguments in support of the involvement of the private sector in training programmes is their superior understanding of the skills needed in the labour market. The

³⁶ Lehmann and Kluge, 2008, p. 910.

private sector can also participate in the funding of microenterprise development programmes: private banks are potential providers of micro or small loans. However, the involvement of the private sector needs to be partnered with awareness raising of the specific needs and limitations of M/SMEs to ensure the efficiency and sustainability of their support and loans so that microenterprise development programmes will succeed.

The knowledge and financial capacity of non-State actors can yield positive benefits for the development of ALMPs, and overall partnerships should be encouraged. However, the involvement of non-State actors does not equate to the sidelining of the State. On the contrary, it calls for an enhanced role for the State in policy coordination and private sector regulation. Governments are responsible for setting broad social development objectives, prioritizing ALMPs and ensuring that labour-market policy and other social and economic policies are coherently integrated. They also have the responsibility of regulating the activity of private service providers to ensure the quality of ALMPs and the equitable access of vulnerable groups to all programmes.

3. Combining ALMPs

Assessments of ALMPs indicate the positive impact of combined programmes. It is advisable, for example, to combine trainings with employment services to facilitate the reintegration of laid-off workers in the labour market and reduce structural unemployment.³⁷ Similarly, wage subsidies appear to have a more positive impact when combined with job search assistance and training.³⁸

Governments therefore need to provide integrated policy responses that address the different facets of the hardships faced by unemployed workers (including skills deficiency, access to information on job opportunities, the need for counselling and so on).

4. Integrating social, economic and labour policies

The effectiveness of ALMPs is highly dependent on the economic situation prevailing in a country.³⁹ ALMPs have a lower probability of being effective if the macroeconomic framework is not conducive to job creation, namely if the patterns of economic growth are not labour-intensive. Therefore, labour policy (including ALMPs) and economic policy (including investment or industrial policy) must be designed together.

Social and labour policies also need to be integrated. The coordination of education and labour policies, for example, is particularly important: getting a clear picture of training needs requires a thorough understanding of the limitations of the school system (indicated by the drop-out rate, and so on) and the opportunities for complementarity in terms of curricula. Similarly, labour and social protection policies need to be coordinated to ensure their efficiency and impact. For example, the development of PWPs with wages lower than unemployment benefits or cash assistance benefits could undermine the effectiveness of the programmes.

5. Broadening the approach to impact assessment

The employment and earnings of beneficiaries are key indicators to assess the impact of ALMPs. Different evaluation techniques can be used: experimental and quasi-experimental impact assessments rely on the selection of a treatment group comprising programme participants and a control group of non-participants and compares their outcomes in terms of employment and earnings after the programme ends. These assessments require substantial time and financial resources. Non-experimental impact assessments

³⁷ Betcherman, Olivas and Dar, 2004, pp. 21-24.

³⁸ Centeno, Centeno and Novo, 2009, p. 22.

³⁹ De Koning and Peers, 2007, pp. 14-19.

do not make comparisons and do not use control groups. Rather, they are based on statistics and data on the outcomes of the programme.⁴⁰

Ideally, short-, mid- and long-term impacts need to be reflected to provide a clear picture of the effectiveness of ALMPs and the sustainability of its effect. The effect of ALMPs on earnings and employment are often different in the short-, mid- and long-term.⁴¹ Figures also need to be disaggregated to reflect the effect of ALMPs on the different labour markets and groups (low versus high skill; women versus men; youth versus adult; and formal versus informal). The outcomes of ALMPs also need to be set forth to provide an accurate picture of their impact (including the effect of training for the unemployed on non-beneficiaries' employment or the substitution effects of wage subsidies).

Accounting for the outcome and providing an accurate and comprehensive overview of the impact of ALMPs requires creating or strengthening the databases on the programmes and their beneficiaries. The establishment of a national labour market information system to gather data on employment trends, and the cost and impact of ALMPs therefore constitutes an important step. The capacity of the State is a crucial variable: developing useful and reliable information systems requires strong administrative and financial capacity that allows for the gathering and processing of data. Developing countries have a comparative disadvantage in that field.

Ideally, in addition to providing insights on the economic impact of ALMPs, assessments should also account for their social and political impact, because these factors often motivate public intervention in the labour market. The available impact assessments provide selected information on the effects of ALMPs on employment and earnings to a much lesser extent. Yet, these assessments do not provide sufficient insights on the quality of jobs created and on the broader social and political impacts of the programmes. The understanding of those factors would be enhanced by more regular data collection on earnings and on employment characteristics (including job security and safety, monthly hours of work, access by vulnerable groups). As for the sociopolitical effects of ALMPs, they could be reflected through a combination of quantitative and qualitative analyses of the effects of programmes on social cohesion and political stability. Studies on social exclusion or political attitudes of selected target groups would improve the understanding of the impact of ALMPs.

The rights-based approach provides an analytical framework that can be applied to assess the quality of ALMPs and their subsequent social outcomes. This approach requires examining two aspects of the programmes:

- Whether the services and benefits provided by the programmes (such as employment services, trainings, etc.) are equally available and accessible to all groups and whether all individuals benefit from services of comparable quality;
- Whether the outcomes of the programmes for beneficiaries are equitable, sustainable and fair.

The following criteria can be used to assess the availability, accessibility and quality of the programmes:

1. All unemployed have access to the programmes on an equitable basis, including low-skilled workers, women and workers from rural areas.
2. The needs of workers in the informal sector are catered to and integrated in the design of ALMPs.

⁴⁰ International Labour Organization, 2008, pp. 76-77.

⁴¹ Card, Kluve and Weber, 2009, pp. 25-26.

3. The underemployed and the unemployed have access to the services.
4. The programmes are tailored to the specific needs of each subgroup of beneficiaries.

To assess the outcomes of the programme, post-programme evaluations and impact assessments can examine the level of employment and earnings and can use the following criteria:

1. Access to secure jobs that abide by international labour standards and rules.
2. Equitable access of vulnerable groups to post-programme employment and earnings.
3. Access of beneficiaries to jobs with an adequate number of working hours and requirements corresponding to their qualifications.
4. Access of beneficiaries to decent wages and social protection benefits (including pension and basic health insurance).

Some of these criteria echo the principles set forth by the Decent Work Agenda of the International Labour Organization. The criteria allow policymakers to design assessment methods that identify the effects of ALMPs on the vulnerability of workers and their access to decent and stable employment. Assessments based on these criteria illustrate some of the broader effects of ALMPs on social inclusion and political stability. However, wholly accounting for these effects would require the design of qualitative studies to assess the political and social outcomes of ALMPs. These studies could examine the political behaviour of beneficiaries or the correlation between the development of ALMPs and the degree of social cohesion and stability.

In summary, if efficient and fair ALMPs are to be enacted, the programmes should be considered from a rights-based approach and impact assessment criteria should go beyond post-programme employment prospects and earnings.

The review of international experience with ALMPs presented above shows that the development and implementation of efficient, sound and equitable ALMPs raise a number of complex policy questions. The design of responses to these questions in the Arab region requires the building of a body of knowledge on the experiences of countries in the region, which can inform the choices and decisions of policymakers. The following section presents a unique overview of these experiences and sets forth preliminary findings and recommendations.

II. ACTIVE LABOUR MARKET PROGRAMMES IN THE ESCWA REGION

This chapter examines the experience of ESCWA member countries with: (a) PES; (b) employment subsidies; (c) training programmes for the unemployed and on-the-job training programmes; (d) PWP; and (e) M/SME development programmes. It looks into the objectives and rationale of the programmes developed by ESCWA member countries; examines their design and characteristics; and discusses key cross-cutting and programme-specific policy questions.

Throughout this section the policy approaches of ESCWA member countries are tentatively compared and an effort is made to identify trends in programme designs across the region. The internal diversity of the ESCWA region is evident in varying levels of resources, political will and administrative capacity to respond to labour challenges. In particular, policy approaches and programme designs in GCC countries tend to be contrasted with those of non-GCC countries.

The specific policy context in GCC countries needs to be underlined. Over the past decade in these countries, nationalism has motivated the establishment of funds or programmes dedicated to facilitating the employment of nationals in the private sector. Many ALMPs are therefore implemented through these structures, which receive considerable resources. Examples include the Manpower and Government Restructuring Program (MGRP) in Kuwait;⁴² the Human Resources Development Fund (HRDF) in Saudi Arabia,⁴³ the National Human Resources Development and Employment Authority (known as Tanmia) in the United Arab Emirates⁴⁴ and the Labour Fund (known as Tamkeen) in Bahrain.⁴⁵

A. PUBLIC EMPLOYMENT SERVICES

1. Objectives and approach

Traditionally, public employment offices in the ESCWA region have catered to a very limited share of the unemployed, have offered a restricted number of employment services and have registered low levels of operations. Yet, in recent years, some ESCWA member countries have endeavoured to expand the outreach of public employment offices and to diversify and enhance the quality of their services. In fact, a shift is occurring throughout the region: employment offices that once were mere platforms for information exchange and intermediation between jobseekers and private businesses are now assuming the more complex functions of human resource development centres and active facilitators of the integration or reintegration of the unemployed in the labour market. This shift is both incremental and uneven and the situation throughout the region remains extremely diversified. Some countries have demonstrated a stronger interest in PESs and willingness to reform. This is particularly true in GCC countries where employment services are one of the tools to further nationalize the labour force, particularly in the private sector.

2. Design and characteristics of employment services

- Target groups of PESs

Whether in GCC or non-GCC countries, vulnerable groups (including the long-term unemployed or the unemployed with disabilities) are not specifically identified, targeted or provided with tailored PESs. Yet, targeting vulnerable groups could ensure that they are provided with adequate support and services (including career guidance or counselling tailored to their needs). Vulnerable groups are not being targeted

⁴² More information available at http://www.mgrp.org.kw/UIEN/MGRPVIEW.aspx?P=About_Us.

⁴³ Saudi Arabia, *Human Resources Development Fund: The Guide Book*, p. 1.

⁴⁴ More information available at <http://www.tanmia.ae/tanmia/general/aboutus.aspx>.

⁴⁵ More information available at <http://www.lf.bh/en/about/?p=Vision>.

because of the weak administrative capacity of States, and because data and information on the needs of vulnerable groups are limited.

In GCC countries, PESs are one of the main tools of nationalization policies. These services are targeted exclusively at nationals, in particular youth, with the objective of facilitating their access to private sector jobs and increasing their share in the private sector.

- Services provided by employment offices

Employment offices in the ESCWA region provide different categories of services: job matching; career guidance; and courses, training and retraining programmes. A limited number of ESCWA member countries, mainly GCC countries, provide integrated employment services.

The first and main function of public employment offices in the ESCWA region is job matching. The offices serve as a platform for information exchange on manpower availability and vacancies between prospective employers and jobseekers. Employment offices can be more or less proactive in fulfilling their job matching function.

Proactive employment offices may liaise or partner with private businesses to encourage them to advertise job openings. They may also conduct market studies to identify trends in private sector demand for labour and skills. In addition, they can support private businesses during the selection process by maintaining an updated database of jobseekers and their qualifications, or even pre-selecting candidates or organizing interviews for private businesses.

Levels of proactivity in job matching vary considerably throughout the region. For example, Iraq and Lebanon have limited outreach to the private sector and weak capacity to generate information on the needs of the private sector or on the profile of the jobseeker. Other countries are actively engaged in facilitating the information flow between jobseekers and private businesses, supporting businesses in their search and facilitating or accelerating job matching. Examples of services delivered by public employment offices in selected ESCWA member countries are given in box 2.

Career guidance constitutes a second category of employment services. Though career guidance is gaining ground in the ESCWA region, it is still a weak component of employment services. Only public employment offices in GCC countries and in Jordan appear to be providing career guidance services.

In addition to job matching or career guidance, some employment offices in the ESCWA region provide short courses, training or retraining programmes to jobseekers. In the vast majority of cases these programmes are provided by the vocational training centre of the country, which tends to be managed by the ministry of labour or education. They can, however, be outsourced to private training institutes and associations (as is the case in Lebanon). These services range from short-term courses on work skills, job hunting and interviews (in Bahrain and Jordan⁴⁶) to language or computer skills (in Kuwait⁴⁷) and vocational training (in Jordan, Kuwait, Oman, Qatar and Saudi Arabia).

⁴⁶ More information available at <http://www.mol.gov.jo/tabid/223/default.aspx>.

⁴⁷ More information available in Arabic at <http://www.mgrp.org.kw/UIEN/MGRPVIEW.aspx?p=41bfcbc4-efce-47ee-b009-116e1d1fefdd>.

Box 2. Public employment services in selected ESCWA member countries

Jordan: The National Employment Center^{a/} is geared towards providing jobseekers and employers with an integrated programme to connect to each other. One axis of the programme is to develop an e-database for jobseekers and employers to facilitate job matching.

Kuwait: One of the strategies of MGRP^{b/} is to involve private businesses in the organization of a yearly job exhibition to advertise job openings.

Oman: To facilitate job matching and the recruitment of nationals by private businesses, the employment offices of the Ministry of Manpower link jobseekers to private businesses that have published a vacancy that corresponds to their qualifications, facilitates the organization of interviews and prepares the contracts of successful candidates.^{c/}

United Arab Emirates: Tanmia^{d/} has an employer relations unit which performs a number of tasks to facilitate and strengthen the relationship with the private sector and facilitate job matching. Its responsibilities include identifying employment opportunities for nationals, liaising and negotiating training opportunities for nationals with key employers and contributing to the development of an employment database in various economic sectors.

Notes: ^{a/} More information available at <http://www.mol.gov.jo/tabid/223/default.aspx>.

^{b/} More information in Arabic available at http://www.mgrp.org.kw/UIEN/MGRPVIEW.aspx?P=About_Us.

^{c/} More information available at http://www.manpower.gov.om/en/dg_employment.asp.

^{d/} More information available at <http://www.tanmia.ae/tanmia/general/structuredetail3.aspx>.

Strong data on both jobseekers (including on their skill level and occupational group) and labour-market trends are required to ensure that job matching is efficient, career guidance is adequate and courses or trainings are designed to be relevant to market needs. Yet, data systems are relatively weak in the region. Only a few countries, including Jordan, Bahrain and the United Arab Emirates, have labour market information systems that provide data for employment offices and facilitate the design of relevant employment services.

While most employment services are provided through public employment offices, in a small number of cases, employment services are also provided by other programmes. These programmes tend to be targeted to specific segments of the workforce. In the Syrian Arab Republic, for example, the United Nations Development Programme funded the Career Management Centre, located in the University of Damascus. The initiative targets recent graduates and offers job matching services, counselling and career guidance.⁴⁸ The small number of programmes of that kind reveals that policymakers (and donors) have a relatively low level of interest in employment services.

- Cost of PESs

Information on the cost and financing of PESs is not readily available in most countries of the ESCWA region. Budget figures for Jordan and lessons from international experience point to the fact that employment services are relatively cost-effective, including for low- and middle-income countries, and that they remain a reasonable policy option for ESCWA member countries, including resource-poor countries.⁴⁹

- Coverage and beneficiaries of PESs

One of the main limitations of public employment offices in the ESCWA region is their low coverage and limited number of beneficiaries. The percentage of jobseekers employed through employment offices is

⁴⁸ United Nations Development Programme project SYR/06/008.

⁴⁹ More information available at <http://www.mol.gov.jo/default.aspx?tabid=175>.

quite low. In Bahrain, from 2005 to 2007, 18 per cent of jobseekers who were registered at the Employment Service Bureau of the Ministry of Labour found a job through the Bureau.⁵⁰ In Egypt, from April to June 2010, 29 per cent of registered jobseekers found a job through the Central Department for Employment and Labour Market Information.⁵¹ In Jordan, from 2004 to 2010, 3 per cent of registered jobseekers found a job through the national employment center.⁵² In Lebanon, from 1998 to 2005 the National Employment Office received only 1,370 job requests and 450 job offers each year and placed a mere 210 jobseekers.⁵³ In Palestine, in 2008, while more than 300,000 unemployed were registered in the Directorate of Labour, the latter facilitated the employment of 87 individuals.⁵⁴ Of course, some countries perform better than others. In Saudi Arabia, in 2008, the employment offices of the Ministry of Labor facilitated the employment of 57 per cent of the unemployed registered in the offices.⁵⁵

3. Policy challenges and questions for PESs in the ESCWA region

There are a number of factors constraining the coverage and outreach of employment offices in the ESCWA region. The extent of informal employment in the ESCWA region and the important share of informal jobs provide little incentive for jobseekers to register in employment offices. In addition, the prevalence of informal job-search networks, whether for formal or informal jobs, also diminishes the role of public employment offices. Indeed, in a region where networks, interpersonal relations and patron-client relations are very strong, informal job searches often yield more positive results than formal job searches.

Few ESCWA member countries provide unemployment benefits (whether through their employment offices or through other public institutions) and registration with employment offices is not a condition for the disbursement of unemployment benefits. These factors help to explaining the low use of employment offices. Linking the provision of unemployment benefits to registration with public employment offices (as is the case in many OECD countries) could provide additional incentives for jobseekers to make use of the services they provide. However, this linkage requires enhanced policy coordination and integration between employment offices and social security agencies.

In addition, the activity and outreach of employment offices is constrained by limited administrative, financial and human capacity. In particular, a major weakness of employment offices in the ESCWA region is the limited number of employees.

- Current reforms of PESs

Reform of PES has been gaining ground in the ESCWA region in recent years, especially in GCC countries. The nationalization imperative has created a strong impetus in GCC countries to develop integrated employment services and establish new agencies to cater to national jobseekers. Agencies including Tanmia in the United Arab Emirates,⁵⁶ MGRP in Kuwait,⁵⁷ HRDF in Saudi Arabia⁵⁸ and the

⁵⁰ Bahrain, Ministry of Labour, *Report on the number of jobseekers registered at the Employment Service Bureau from June 2005-June 2007*.

⁵¹ Egypt, Ministry of Manpower and Emigration, *Monthly Labour Market Report*, April-June 2010, p. 10.

⁵² Jordan, Ministry of Labour, *Report on Projects from 2009 to 2012*. (Arabic) p. 1.

⁵³ Bardak, Huitfeldt and Wahba, 2006, p. 44. More information in Arabic available at <http://www.neo.gov.lb/Content/Employment.aspx>.

⁵⁴ Palestine, Ministry of Labor, *Annual Report for 2008*, p. 33.

⁵⁵ Saudi Arabia, Ministry of Labor, *Annual Report 2008*, p. 24.

⁵⁶ More information available at <http://www.tanmia.ae/tanmia/general/structuredetail3.aspx#esdc>.

⁵⁷ More information in Arabic available at http://www.mgrp.org.kw/UIEN/MGRPVIEW.aspx?P=About_Us.

⁵⁸ More information in Arabic available at http://www.hrdf.org.sa/index.php?option=com_content&view=article&id=52&Itemid=58.

employment offices of the Ministry of Manpower in Oman⁵⁹ aim to address the needs of jobseekers. Those agencies provide career guidance to determine jobseekers' weaknesses and potential, and courses or trainings based on jobseekers' needs and the requirements of private businesses. They coordinate with private businesses to identify job opportunities and facilitate the recruitment process.

In contrast, most non-GCC countries in the ESCWA region tend to provide stand-alone, fragmented services to jobseekers. In recent years, countries including Jordan and (to a lesser extent) Egypt and Lebanon have also developed a reform agenda, which has been encouraged and supported by foreign donors, in particular the Canadian International Development Agency. Reforms of the national employment center in Jordan have been characterized by a move towards more diversified and integrated employment services.⁶⁰

Recent reforms in GCC countries have also increased the diversification and integration of employment services.⁶¹ Reforms in Jordan⁶² and United Arab Emirates have aimed to develop information systems to provide data on the profile of jobseekers and on the needs of private businesses. Reforms in Egypt and Lebanon have aimed to enhance the institutional capacity of employment offices.

The need for smooth cooperation between employment offices and vocational training centres is one of the main difficulties in diversifying employment services and integrating them with other ALMPs. This might require cooperation across or within ministries. Bureaucratic segmentation and the tendency towards vertical management in the ESCWA region can hamper cooperation and the development of integrated employment services.

- Private employment offices

Private employment offices play an important role in the region. Yet, data are not readily available and the extent of their contribution to the employment of jobseekers remains poorly understood. In addition, their activities are unregulated. While the regulation of private training institutes is being developed, the regulation of private employment offices lags behind: it remains absent from the labour policy agenda in the ESCWA region with the exception of Jordan (see box 3).

Box 3. Regulating private employment agencies: the example of Jordan

In Jordan, regulation number (21) of the 1999, entitled “The Regulation of Private Employment Agencies” regulates the establishment, licensing and activities of private employment offices. Among other things, article 5 of the regulation establishes the following:

“The agency may carry out the duties that are necessary to employ Jordanians in the private sector inside the Kingdom, and in the public and private sectors outside, including:

1. Mediation and following-up the necessary procedures for employment.
2. Complying with the needs of employers who seek Jordanian employees.
3. Contacting the external entities to secure their requirements of the Jordanian manpower, as well as organizing their employment with those entities, according to contracts to be concluded for that purpose.
4. Carrying out media campaigns to invite Jordanians who seek work to submit applications and benefit from the services of the agency”.

Source: Jordan, Ministry of Labour, available at www.mol.gov.jo/Portals/1/regulation21e.pdf.

⁵⁹ More information available at http://www.manpower.gov.om/en/dg_employment.asp.

⁶⁰ Jordan, Ministry of Labour, *Strategic Plan and Executive Program (2009-2011)*, p. 27.

⁶¹ Ibid.

⁶² More information available at www.almanar.jo.

- Mainstreaming equality in the design of PESs

Data disaggregated by sex and region on the availability of, access to and outcome of employment services are not readily available in most ESCWA member countries. However, some data indicate that issues of gender equality and regional distribution are not consistently mainstreamed in the design and delivery of employment services. For example, sex-disaggregated figures on employment services published in a selected number of ESCWA member countries point to a gender gap in the employment outcomes of these services. In Egypt, for example, only 19 per cent of the positions filled through the labour offices were filled by female jobseekers (April-June 2010).⁶³

Available information indicates that in most ESCWA member countries, employment offices are distributed in different areas, governorates or regions. Yet, in some cases, they tend to be concentrated in capital cities or urban areas: in Iraq, one third of employment offices are in Baghdad; in Saudi Arabia, one fourth are in Riyadh; and in Lebanon employment offices are located only in the three major cities. The concentration of employment offices in capital cities and urban areas might be justified by high levels of urbanization, but it also exposes the challenge of reaching out to rural areas.

In addition, it is not clear how the budget is distributed or if services of the same kind and quality are equally available in all offices. The budget distribution for PESs by governorate, region or area is generally unavailable, and the quality of employment services may be uneven. For example, in Egypt, the percentage of job vacancies filled by the employment offices varies from one governorate to the other,⁶⁴ and in Saudi Arabia there are large regional variations in the number of vacancies posted by the employment offices.⁶⁵ These trends should be examined with caution; while they might reflect variations in the levels of efficiency of employment offices, they could also be the result of the specific conditions of the labour market in different areas of a country.

- Impact assessment of PESs

Though most employment offices provide information on the number of beneficiaries, few provide data disaggregated by sex and region and none provide data on specific aspects of employment outcomes, such as the sector or duration of employment.

B. EMPLOYMENT SUBSIDIES

1. *Objectives and approach*

The sample of employment subsidy programmes examined in the present paper indicates that hiring subsidies are designed to facilitate the private sector employment of target groups, in particular youth. All of these subsidy programmes are integrated with trainings and come in the framework of employment training programmes. The programmes sampled have been implemented in GCC countries and in Jordan.

On the whole, and contrary to international experience, hiring subsidies in the ESCWA region seem to be used as a tool to help specific groups overcome structural unemployment rather than cyclical unemployment.

⁶³ Egypt, Ministry of Manpower and Emigration, *Monthly Labour Market Report*, April-June 2010, p. 15.

⁶⁴ *Ibid.*, p. 11.

⁶⁵ Saudi Arabia, Ministry of Labor, *Annual Report 2008*, p. 26.

2. Design and characteristics of employment subsidies

- Target groups of employment subsidies

Youth are the main target group of hiring subsidy programmes. The Jordan National Employment and Training Program targets jobseekers age 18 to 36⁶⁶ and both the Graduate Employment Program and the 1912 Program in Bahrain target youth graduates.⁶⁷ Some programmes are not openly targeted at youth; yet, the profile of beneficiaries speaks for itself. Jobseekers aged 15 to 29 represent 71 per cent of those employed through the Qatar Employment Program between October 2007 and March 2010.⁶⁸ This demonstrates the Government's willingness to tackle the pressing issue of youth unemployment.

Targeting also occurs by skill level, depending which groups are thought to be the most vulnerable. Some programmes target high-skilled workers or graduates (Employment Graduate Program and 1912 Program in Bahrain, Employment and Training Programs for the Skilled in Saudi Arabia); others target low-skilled workers (Employment and Training Programs for the Unskilled in Saudi Arabia). In Jordan, the National Employment and Training Program does not specify a target group; yet the profile of beneficiaries indicates that it caters mainly to low-skilled jobseekers.

In GCC countries, hiring subsidies are targeted exclusively to nationals to encourage the private sector to hire nationals instead of non-nationals. Hiring subsidies create financial incentives for the private sector to hire nationals by decreasing the employer's cost to hire them. The training programmes associated with these subsidies are aimed at increasing the skill level and employability of the national workforce.

- Services associated with the provision of employment subsidies

The hiring subsidies sampled in the present paper are associated with training programmes and in a few cases, with career guidance services. Subsidies often come within an integrated package of services. The types of services provided and their sequencing vary from one programme to the other: in some cases, beneficiaries are trained before entering subsidized employment; in others, training takes place on the job.

- Duration and amount of the subsidies

Employment subsidies can amount to up to 50 per cent of the beneficiaries' salary in the Graduate Employment Program of Bahrain⁶⁹ the National Employment and Training Program of Jordan⁷⁰ and the HRDF Employment and Training Programs of Saudi Arabia.⁷¹ In the case of the National Employment and Training Program of Jordan⁷² and the 1912 Program of Bahrain, social security contributions can also be subsidized.

The programmes sampled by the present paper last from six months to up to two years, which include a training period and a period of subsidized employment. The variation in the duration of training and subsidized employment depends on the partnerships established with private businesses.

⁶⁶ More information available at <http://www.mol.gov.jo/default.aspx?tabid=175>.

⁶⁷ More information available at <http://www.tamkeen.bh/en/?p=details&id=284>.

⁶⁸ More information in Arabic available at <http://www.mohamoon-qa.com/Default.aspx?action=DisplayNews&ID=7041>.

⁶⁹ More information available at <http://www.tamkeen.bh/en/>.

⁷⁰ Ghazal, 2008.

⁷¹ Saudi Arabia, HRDF, *Annual Report 2009*, table 7, p. 58.

⁷² Hazaimah, 2010.

- Budgets of the subsidy programmes

The budgets of the programmes in this sample varied from approximately US\$4 million in Jordan⁷³ to US\$280 million in Saudi Arabia.⁷⁴ The budgets for these programmes include the cost of training and the cost of the subsidy, and the vast majority of the budget goes to subsidies.

- Number of beneficiaries of subsidy programmes

The coverage of subsidy programmes varies significantly. The National Employment and Training Program in Jordan and the Graduate Employment Program in Bahrain cater to approximately 1,000 beneficiaries each.⁷⁵ The Employment and Training Programs in Saudi Arabia benefited more than 50,000 jobseekers.⁷⁶ The Qatar Employment Program benefited 17,000 jobseekers between October 2007 and March 2010.⁷⁷

3. Policy challenges and questions for employment subsidies in the ESCWA region

- Mainstreaming equality in the design of employment subsidies

The information available for employment subsidy programmes in the ESCWA region indicates that in some cases, men benefit from subsidy programmes far more than women. For example, only 13 per cent of the beneficiaries of the Employment and Training Programs implemented by HRDF in Saudi Arabia are female.⁷⁸ In other cases, women had equitable access to services: for example, females constituted 53 per cent of the total persons registered in the Qatar Employment Program between October 2007 and March 2010.⁷⁹ However, sex-disaggregated data for most programmes are not available.

- Impact assessment of employment subsidy programmes

Available reports and studies provide information on short-term outputs (such as the number of beneficiaries). Their impact on employment immediately after the end of the programme and their impact on long-term employment or income is not assessed.

C. TRAINING PROGRAMMES FOR THE UNEMPLOYED AND ON-THE-JOB TRAINING PROGRAMMES

1. Objectives and approach

In GCC countries, trainings for the unemployed and on-the-job training are components of broader nationalization strategies. Governments are investing significant financial resources in the training of the national labour force with a view to provide workers with skills that correspond to market needs and to facilitate private sector employment.

In non-GCC ESCWA member countries, the focus of training programmes is mainly on fighting unemployment, especially among youth, by enhancing the skills of the unemployed. Training programmes

⁷³ Jordan, Ministry of Labour, *Report on Projects from 2009 to 2012*. (Arabic) p. 1.

⁷⁴ Saudi Arabia, HRDF, *Annual Report 2009*, p. 57.

⁷⁵ More information in Arabic available at <http://www.mohamoon-qa.com/Default.aspx?action=DisplayNews&ID=7041>.

⁷⁶ Saudi Arabia, HRDF, *op. cit.*, p. 60.

⁷⁷ More information in Arabic available at <http://www.mohamoon-qa.com/Default.aspx?action=DisplayNews&ID=7041>.

⁷⁸ Saudi Arabia, HRDF, *op. cit.*, p. 56.

⁷⁹ More information in Arabic available at <http://www.mohamoon-qa.com/Default.aspx?action=DisplayNews&ID=7041>.

for the unemployed are more common than on-the-job training programmes, which receive less attention from policymakers and employers.

2. Design and characteristics of training programmes

- Target groups of training programmes

Throughout the region, training programmes for the unemployed tend to focus on youth. The poor results of the education systems and the chronic unemployment of new entrants in the labour market has prompted most countries, including Bahrain, Egypt, Iraq, Jordan, Kuwait, Palestine, Qatar, the Syrian Arab Republic and the United Arab Emirates, to develop one or more training programmes focusing on youth. In GCC countries, these programmes tend to be oriented towards graduates and all training programmes target nationals.⁸⁰ In other ESCWA member countries, unemployed, low skilled youth are the main target group. Most of the training programmes for the unemployed at the Egyptian Vocational Training Centre cater to uneducated workers or those with little education. The trainings provided the Ministry of Labour in Iraq and the National Employment and Training Program in Jordan suggest that the main focus is on low-skilled unemployed workers.

- Types of training programmes and skills provided

Patterns in the provision of training programmes differ between GCC countries and other ESCWA member countries. In GCC countries, efforts to nationalize the private sector workforce have created a strong emphasis on employment-linked training for the unemployed, which combines training programmes with one or two years of subsidized employment, and on-the-job training programmes to upgrade or diversify workers skills. These programmes partner with the private sector to allow for demand-driven content and skills provision. In contrast, in most non-GCC countries of the ESCWA region, training for the unemployed is more common. A small number of non-GCC countries of the ESCWA region, however, have developed employment-linked training programmes, exemplified by the National Employment and Training Program in Jordan.⁸¹

Despite these differences, the contents of training programmes throughout the region share a number of similarities. These similarities include an emphasis on hard skills, whether basic or vocational, and soft skills are generally absent. The emphasis on hard skills in training programmes is a reflection of broader trends in Arab educational systems, which tend to overlook the teaching of social skills, communication skills, adaptability and critical thinking. The emphasis on hard skills is a crucial limitation of the trainings because hard skills are not easily transferable. Some countries are progressively introducing soft skills in their curriculum plans. Soft skills are included in the Technical and Vocational Education and Training (TVET) strategy in Jordan⁸² and in Tamkeen on-the-job training programmes in Bahrain.⁸³

Many training programmes in the ESCWA region are not integrated with employment services or career guidance. In many ESCWA member countries, including Egypt, Iraq, Lebanon, Palestine and Yemen, institutional mechanisms to facilitate coordination between providers of employment services and training providers are weak or non-existent. The need for integrated employment and training services, however, is gaining the attention of policymakers, in particular in GCC countries and in Jordan.

⁸⁰ More information available at <http://www.tamkeen.bh/en/?p=details&id=284>.

⁸¹ More information available at <http://www.mol.gov.jo/Default.aspx?tabid=222>.

⁸² More information available at <http://www.mol.gov.jo/Default.aspx?tabid=283>.

⁸³ Bahrain, *Tamkeen Strategy 2010-2014*, p. 10.

- Budget and costs of training programmes

Information on budget and costs for public training programmes is not readily available in all ESCWA member countries. Yet, the available information shows that Government investment in training programmes is relatively low.

- Training programme coverage

The coverage and capacity of training programmes vary considerably throughout the region. Programmes tend to have a wider coverage rate in GCC countries than in other ESCWA member countries. The numbers of beneficiaries range from 2000 in Yemen,⁸⁴ to tens of thousands in Saudi Arabia,⁸⁵ reflecting varying levels of administrative and financial capacity.

- Funding sources and schemes of training programmes

Different funding sources are mobilized and a variety of funding schemes have been set up throughout the region to finance and implement public training programmes. Funding sources include the regular budget of Governments, grants provided by foreign donors and the contributions of private businesses (including taxes and fees). Resources are administered through ministerial agencies (such as the ministry of labour), training funds or centres, or SFD. In most countries, more than one institution is involved in the financing and delivery of training.

Bahrain and Yemen have established training funds. These funds collect resources from different sources, including the Government, donors and private businesses. In Bahrain, Tamkeen is financed through taxes private businesses must pay to employ foreign workers. In Yemen, the training fund collects resources from the public budget, donor aid and fees levied on private businesses. Yet, resources originating from private businesses remain very scarce, reflecting the dysfunctional nature of the levy system.⁸⁶

Some ministerial agencies finance their training programmes through a combination of regular budget and external funding from private businesses and donors. For example, in Bahrain, the High Council for Vocational Training of the Ministry of Labour levies fees on private businesses, which complement the funds allocated from the regular budget of the Ministry. Donor funds for training and labour programmes are channelled either directly through the implementing agency or ministry or through SFDs.

3. Policy challenges and questions for training programmes in the ESCWA region

- Coordination with non-State actors: the role of private businesses in training programmes

The level of involvement of private businesses in the development and design of training programmes is quite low in the ESCWA region. To improve the policy response to private sector needs and to facilitate the hiring of nationals in the private sector, GCC Governments have begun to partner with private businesses. Partnerships occur in different frameworks. Businessmen may participate the development of the training policy to ensure that training programmes respond to market needs. In Bahrain, the Board of the High Council for Vocational Training comprises businessmen, labour unions and Government representatives. In Oman, the Ministry of Manpower reached out to the private sector in the development of training curricula.⁸⁷ Partnerships with private businesses can facilitate internships or employment-linked

⁸⁴ Yemen, Ministry of Technical Education and Vocational Training, *Organizing Private Training Institutions Activities*.

⁸⁵ Saudi Arabia, HRDF, *Annual Report 2009*, p. 60.

⁸⁶ More information available at http://www.mtevt.info/site_en/index.asp.

⁸⁷ More information available at http://www.manpower.gov.om/en/vt_curricula_development.asp.

training programmes for the unemployed, especially youth. Such partnerships have been developed in Bahrain, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates. In all these cases, the partnerships allowed for internships or employment opportunities for programme beneficiaries.

- Coordination with non-State actors: private training institutes

While many training programmes in the ECSWA region are funded by public budgets or implemented through public agencies, private training institutes also play a major role.⁸⁸ In Egypt, private institutes provide up to 40 per cent of training programmes.⁸⁹ The involvement of private institutes in the delivery of training programmes raises a number of issues relating to the regulation of their activities, private-public cooperation in training delivery and potential public support to private training institutes. Throughout the region there is significant variation in the level of regulation, the degree of cooperation and the support provided to private training institutes.

The activities of private training institutes are mostly unregulated in the ESCWA region, however, some countries have developed comprehensive regulatory systems. In Bahrain, Legislative Decree 25 of 1998 concerns private educational and training institutions.⁹⁰ In Oman, Ministerial Decision 380/98 concerns the regulation of private training institutions.⁹¹ Nevertheless, the level of implemented regulation is quite low.

A limited number of governmental agencies have partnered with private training institutions to implement their training programmes. In Bahrain and Saudi Arabia, governmental agencies have formed such partnerships.

In a very limited number of cases, Governments are providing technical support to private training institutes to enhance their capacity. In Saudi Arabia, HRDF illustrates this exceptional approach: one of its programmes provides technical and administrative consultancies to private training institutes.

- The role of donors in training programmes

Donors are heavily involved in the development and implementation of training programmes throughout the ESCWA region. Their involvement takes a number of forms. They play an important role in the financing and design of training programmes, especially in low and middle-income countries. In some countries, such as Egypt, Iraq, Palestine or Yemen, many training programmes are donor-driven. In addition to providing funding, donors are increasingly involved at the policy level. They appear to be behind reform strategies for technical and vocational education and training (TVET) in a number of low and middle-income countries, such as Egypt, Jordan, Palestine and Yemen.

- Current reforms of training systems and programmes

In response to the limited outreach, lack of regulation and poor quality of training programmes and centres throughout the region, some countries have taken steps to reform their vocational training systems. While Egypt, Jordan, Palestine and Yemen have embarked on the design of comprehensive TVET reform strategies, other countries are reforming selected aspects of their training system. The experience of Jordan in reforming its TVET strategy is presented in box 4.

⁸⁸ Angel-Urdinola, Semlali and Brodmann, 2010, provides a detailed account of private training institutes in the region.

⁸⁹ Amer, 2007, p. 13.

⁹⁰ Available at www.britishcouncil.org/ar/tvetarabia-legislative-decree-1998.pdf.

⁹¹ Available at http://www.manpower.gov.om/en/vt_bylaws.asp.

Box 4. Reforming TVET: the case of Jordan

Jordan has adopted a comprehensive approach in its Employment and TVET reform strategy. The strategy covers a wide range of topics. It stresses the following points:

1. The role of TVET in fostering employment for women and informal workers.
2. The need to improve planning for TVET by enhancing and facilitating coordination between employment, education and training agencies in the public and private sectors.
3. The need to upgrade the financing mechanisms for TVET by diversifying and developing the financial resources for TVET.
4. The importance of efficient information systems and their use in policymaking.
5. The need to establish an occupational classification and standards system.
6. The need to enhance the status of TVET and adapt it to the needs of the labour market.
7. The need to strengthen, support and integrate informal TVET systems into the national human resource development system and promoting linkages between informal and formal TVET systems.
8. The need to activate and upgrade the role of the private and non-governmental sectors in employment and TVET and enhance their contribution in the financing of plans, programmes and projects related to employment and TVET.
9. The need to integrate the regional and international factors in TVET policy by enhancing cooperation with regional organizations, such as the Arab Labour Organization.

Source: Jordan, Ministry of Labour, E-TVET Strategy, pp. 3-5.

The development of reform policies reflects the willingness of Governments to enhance the quality and availability of training programmes, although the success of reforms remains unclear.

The main axes of reform in the ESCWA region include:

- Upgrading or developing training infrastructure, especially in countries with weak infrastructure and limited outreach.

In Yemen, the TVET strategy developed in 2001 identified 20 centres that needed restructuring or refurbishing and called for the construction of 19 additional centres throughout the country.⁹² Similarly, Iraq has established ten new training centres.⁹³

- Promoting evidence-based policymaking to ensure the development of demand-driven training programmes.

Some public agencies have conducted studies to determine training needs in the labour market. For example, Tamkeen has published a series of studies on the skills gaps and needs in Bahrain. Yemen has also initiated a study to determine training needs and trends.

Other agencies are developing databases to centralize information on labour and training needs. In Bahrain, the strategy of the Ministry of Labour stresses its responsibility to provide an integrated database on

⁹² Yemen, *Technical Education and Vocational Training Strategic Development Plan*, p. 27.

⁹³ Iraq, *Labour and Vocational Training: Consultation and Employment*, p. 6.

trends in the labour market to inform policymaking related to training, human resource development and nationalization. The Ministry publishes quarterly reports on diverse aspects of labour-force participation. In Egypt, one of the core functions of the Information and Decision Support Centre's Observatory for Education, Training and Employment is to produce data on education, training and employment that can inform the decisions of policymakers, investors and jobseekers.

4. *The regulation and enhancement of the quality of public and private training programmes*

Some Governments have developed mechanisms and institutions to control the quality of programmes and regulate the activities of training providers. Bahrain, Egypt, Oman and Saudi Arabia have developed vocational qualifications frameworks. In addition, Bahrain, Jordan, Oman, Saudi Arabia, the United Arab Emirates and Yemen have set up or are in the process of setting up quality control and accreditation authorities to ensure the regulation of private training programmes. These functions tend to be fulfilled by departments or agencies under the ministry of labour. An example of this is given in box 5.

Box 5. Private training institutes and quality control in Oman

Oman places special emphasis on the quality control of trainings delivered by private institutes. The main tasks of the Quality Control Department of the Ministry of Manpower's Directorate General for Vocational Training are:

- “Ensuring that the administrative system at private training institutes and centres is efficient to guarantee high quality;
- Ensuring the efficiency of the human resources at these institutes and centres;
- Verifying the methods adopted to assess trainees' activities according to the quality control systems and procedures;
- Preparing periodical reports about the training process at these establishments and checking their conformity to the criteria and terms of training quality control;
- Drafting working plans to develop private training institutes and centres and following up its implementation in coordination with other concerned departments at the ministry;
- Preparing an accurate data and information base about these institutes and centres and the outcome of training operations;
- Participating in providing technical consultancy to these institutes and centres”.

Source: http://www.manpower.gov.om/en/vt_quality_control_dept.asp.

▪ Mainstreaming equality in training programmes

Data indicate that women do not have equitable access to training and are assigned to activities or sectors that have traditionally been female-dominated. For example, data on HRDF in Saudi Arabia training programmes show that men benefit more from training and employment opportunities, except in the case of traditionally female-dominated sectors, such as health and nursing.⁹⁴

Similarly, the data on the regional distribution of training provision point to an urban bias and a concentration of training programmes at the head office. Some countries are attempting to overcome this bias. The labour strategy of Jordan clearly emphasized the need to reach out to rural and remote areas. Similarly, the employment strategy of Saudi Arabia calls for programmes and trainings that reach beyond cities.

⁹⁴ Saudi Arabia, HRDF, *Annual Report 2009*, p. 56.

In addition to the gender and urban/rural gaps, training programmes often fail to reach workers in the informal sector or in micro and small enterprises. Because informal workers and workers in micro and small enterprises in the ESCWA region make up a significant share of the economy, catering to these workers and jobseekers remains a pressing challenge. Informal training and apprenticeships are generally absent from training and labour strategies. To address this challenge, the role of informal training and apprenticeship should be incorporated into the policy debate and financial or technical support should be provided to these service providers. The employment and TVET reform strategy in Jordan included the role of informal training and stressed the need to incorporate it into the national human resource development plan and system.

- Evaluation and impact assessment of training programmes

Quality control is slowly gaining visibility on the policy agenda and training programmes must be evaluated properly. Currently, the quality of the trainings, the relevance of skills provided and the accessibility of programmes to all groups are not reflected in available reports. Most public training centres or programmes provide information on the number of trainees or graduates. However, information on the employment and earning outcomes of the programmes, whether in the short-, mid- or long-term, is non-existent.

- Mainstreaming education and training policies

An integrated approach to the design and implementation of education and training policies is needed to ensure that the needs of jobseekers, especially youth and school drop-outs, are met. Educational and training institutions and programmes in the ESCWA region are beset by limitations related to the content of programmes and skills they provide, the inequitable distribution of services and weak coordination with and regulation of private providers. Education and training policy are best addressed in a holistic manner because of their overlapping and complementary natures. Some ESCWA member countries have begun to integrate education and training policies and develop efficient coordination across institutional bodies. In Jordan, the coordination between the education and TVET systems was stressed.⁹⁵ In Palestine, the TVET reform plan calls for the establishment of a council comprised of representatives from the ministries of education labour.⁹⁶ Additional policy coordination mechanisms in this field are needed, just as policy coordination is needed for other ALMPs.

D. PUBLIC WORKS PROGRAMMES

1. *Objectives and approach*

PWPs in the ESCWA region are approached as tools for poverty alleviation and crisis mitigation to a lesser extent. Accordingly, they are geared towards providing temporary additional income to poor or crisis-affected populations, thus serving as temporary safety nets in countries where the coverage of social insurance systems is low. The sample of PWPs examined in the present paper shows that none of the programmes are designed to enhance the skills of beneficiaries or facilitate their reintegration in the labour market. Contrary to the experience of other world regions, PWPs in the ESCWA region cannot be considered ALMPs, or as part of a broader labour policy.

In addition to alleviating poverty and mitigating crisis, PWPs in the ESCWA region also serve the purpose of developing basic and social infrastructure. In Egypt and Yemen, PWPs are implemented to enhance or develop infrastructure; in Iraq, they are used to rebuild it.

PWPs are found primarily in low-income countries (such as Iraq and Yemen) or they target low-income groups (as is the case in Egypt). Expectedly, PWPs are not a policy option for GCC countries.

⁹⁵ Jordan, Ministry of Labour, *E-TVET Strategy*, p. 1.

⁹⁶ More information is available at <http://www.tvet-pal.org>.

2. Design and characteristics of PWPs

- Target groups of PWPs

The targeting of beneficiaries of PWPs in the ESCWA region is based on income level: poor and vulnerable people are the main target groups. Some policymakers in the ESCWA region also rely on geographical targeting. The focus on rural areas is motivated by higher poverty rates in rural and agricultural areas and the need for basic services and infrastructure in those areas.

- Size of PWPs and services provided

PWPs are large-scale programmes: they cater to many beneficiaries, especially compared to ALMPs examined in the present paper. Yet, the benefits of PWPs are generally short-term and the jobs are temporary. For example, the PWP in Egypt created 51,581 temporary jobs compared with only 1,520 permanent jobs over the period 1999-2006.⁹⁷

It should be noted that PWPs generally do not provide opportunities for beneficiaries to enhance their capabilities and skills or access support services (such as career guidance or counselling) that could facilitate their reintegration in the formal labour market. Hence, the benefits of stand-alone PWPs for the long-term employment prospects of participants and the impact on their earnings are highly questionable. PWPs in the ESCWA region function as safety nets and poverty alleviation tools, and do not address the structural unemployment of vulnerable groups.

- Cost and labour intensity of PWPs

In addition to catering to a larger pool of beneficiaries than ALMPs, PWPs also have larger budgets, reaching US\$33 million in Egypt (1999-2006),⁹⁸ US\$40 million in Iraq (2004-2008)⁹⁹ and US\$25 million annually in Yemen (2006-2010).¹⁰⁰

Available figures seem to indicate that the labour intensity of PWPs in the ESCWA region is relatively high. In Yemen, for example, the wages amounted to 81 per cent of the total costs of Labour-intensive Works Program projects.¹⁰¹

- Types of public goods created by PWPs

All PWPs are geared towards enhancing or rebuilding such infrastructure as roads, water and electricity networks. PWPs in Egypt, established in 1999, focused on the repair of irrigation and drainage canals, water supply and sewerage systems, the rehabilitation of rural roads and public buildings.¹⁰² However, more recent PWPs in Iraq are also encouraging the development of social infrastructure including clinics, schools and training centres.¹⁰³ PWPs are increasingly involved in diversified categories of infrastructure to meet social needs.

⁹⁷ World Bank, 2006, p. 22.

⁹⁸ Ibid., p. 4.

⁹⁹ Freedman et al., 2009, p. 52.

¹⁰⁰ Yemen, Social Fund for Development, *Annual Report 2008*, p. 50.

¹⁰¹ Yemen, Social Fund for Development, *Newsletter*, p. 8.

¹⁰² World Bank, 2006, p. 6.

¹⁰³ Freedman et al., 2009, op. cit.

3. Policy challenges and questions for PWPs in the ESCWA region

- Role of donors in PWPs

In some regions of the world, such as East or South Asia, Governments play a major role in funding PWPs. Yet, in the ESCWA region all the projects sampled in the present paper are donor-driven. In Egypt and Yemen, the World Bank and other donors to a lesser extent (for example the United States Agency of International Development and the International Fund for Agriculture and Development) have provided significant funds to SFD.¹⁰⁴ In Iraq, the United Nations Trust Fund is a major source of funding for PWP, with funds provided to the Government by a diverse set of United Nations agencies, and other bilateral and multilateral donors such as the European Union or the Swedish International Development Cooperation Agency. Despite their major financial contributions, support from donors tends to have a number of limitations, including a low level of inter-agency coordination to harmonize their interventions and a lack of information sharing.

- Mainstreaming equality in the design of PWPs

The gender gap is very strong in PWPs in the ESCWA region: women are underrepresented among beneficiaries. In the Iraq Reconstruction and Employment Program, less than 1 per cent of beneficiaries were women,¹⁰⁵ compared with 30 per cent of the beneficiaries of the Local Area Development Programme in Iraq¹⁰⁶ and 27 per cent of the Yemen Global Food Crisis Response Program.¹⁰⁷

- Impact assessment of PWPs

The outputs of PWPs in the ESCWA region are usually measured according to the number of direct beneficiaries and in few cases, the number of indirect beneficiaries. Some programmes provide information on the number of jobs created, whether temporary or permanent. The Shorouk Program,¹⁰⁸ the Egyptian SFD PWP and the Yemen Global Food Crisis Response all provided this kind of data. In the case of the Iraq Reconstruction and Employment Program, the Local Area Development Program and the Labour Intensive Work Program, the benefits were measured in terms of working days or wages provided by a project. Figures on the number of jobs, working days and wages generally do not reflect differences between subprojects or variations in working days and earnings between beneficiaries.

Information on indirect beneficiaries tends to have a series of limitations, the most serious of which is the lack of definition of “indirect beneficiaries”. Because reports on PWPs do not provide definitions of this category of beneficiaries, it is not possible to assess the related impact of the programmes.

Few figures on the physical outputs of PWPs are readily available, as most of the information focuses on the jobs, working days or wages. In addition, the issue of the maintenance of infrastructure is not taken up often, and follow-up studies are not publicly available. The sustainability of the outputs of PWPs should be considered.

Despite their limitations, figures on the outputs of the programmes provide useful insights on their short-term impact. In contrast, assessments of unemployment, poverty reduction, human development and other programme outcomes are clearly missing throughout the region. Measuring such outcomes of PWPs would provide valuable insights on the impact of these programmes and their ability to serve as a bridge to reintegrate vulnerable and poor people into the formal labour market.

¹⁰⁴ World Bank, 2006, p. 3.

¹⁰⁵ Freedman et al., 2009, p. 53.

¹⁰⁶ United Nations Development Programme, 2010, pp. 46-47.

¹⁰⁷ Yemen, Social Fund for Development, *Annual Report 2008*, p. 51.

¹⁰⁸ World Bank, 2007.

In addition, little, if any, data are available to assess how workers use the wages they receive from PWPs. Policymakers would benefit from knowing if wages are used for short-term consumption or for health and education. Such data would allow policymakers to understand whether, and under which circumstances, PWPs can facilitate human development.

Of all the programme reports sampled in the present paper, the report of the Iraq Reconstruction and Employment Program was the only one that attempted to assess the outcomes of the programme. It provided the following insights: the majority of the 45 respondents (73 per cent) used the income generated by their participation to buy food; only 13 per cent purchased medicine; 20 per cent found permanent employment once the project was over; and 58 per cent reported having learned a new skill in the course of the project.¹⁰⁹ The assessment report echoes the preliminary conclusions of the present paper of PWPs in the ESCWA region. The findings of the assessment report and the present paper show that PWPs are primarily emergency measures that aim to alleviate poverty and mitigate crisis and have questionable effects on the poverty level and long-term employment prospects of beneficiaries.

E. MICRO, SMALL AND MEDIUM ENTERPRISE DEVELOPMENT PROGRAMMES

1. *Objectives and approach*

Micro, small and medium enterprise development programmes throughout the ESCWA region were created as a policy response to a wide variety of labour and economic challenges, including unemployment, informal employment, poverty, economic restructuring and private sector development and the need to nationalize the workforce in the private sector of GCC countries.

Accordingly, while the main objective such programmes is to create jobs, the underlying rationale varies greatly. Programmes in low and low-middle income countries tend to cater to poor, marginalized and informal workers and to support the development of microenterprises as a tool for poverty alleviation programmes. In middle and high-income countries (especially in GCC countries), programmes tend to provide services and support to small and medium enterprises (SMEs) to support private sector growth and job opportunities. Therefore, while all ESCWA member countries have developed programmes to support M/SMEs, the objectives, design and characteristics of these programmes vary greatly. Programmes in Yemen and United Arab Emirates exemplify the contrast between these two approaches. While SFD in Yemen supports microenterprise development schemes for poor people to help them increase their income, the Mohammed Bin Rashid Establishment¹¹⁰ and the Khalifa Fund¹¹¹ in the United Arab Emirates have geared their programmes towards SMEs to support the entrepreneurial activity of United Arab Emirates nationals and their entry into private businesses.

2. *Design and characteristics of M/SME development programmes*

▪ Target groups of M/SME development programmes

Non-GCC countries tend to target M/SME development programmes to the poor, while targeting in GCC countries is generally based on nationality. In the Syrian Arab Republic, the Public Corporation for Employment and Enterprise includes a focus on poor areas. The SFD Microenterprise Development Programs in Egypt aims to improve the income of poor households, including female-headed households and households with economically active poor.¹¹² In the same way, the Employment and Development Fund in

¹⁰⁹ Freedman et al., 2009, p. 54.

¹¹⁰ More information available at <http://www.sme.ae/english/>.

¹¹¹ More information available at <http://khalifafund.sdg.ae/>.

¹¹² More information in Arabic available at <http://www.sfdegypt.org>.

Jordan targets the poor and the unemployed.¹¹³ The SME programme in Yemen focuses on providing support to poor people, including poor women.¹¹⁴

In GCC countries, targeting occurs primarily on the basis of nationality. SME development programmes are one tool to facilitate the private sector job creation for the national labour force. In Saudi Arabia, HRDF has developed the Training for SME Programme, as well as the Programme to Support the Establishment of Small Businesses, in addition to other initiatives and programmes to facilitate the nationalization of jobs and reduce unemployment. In Qatar, Enterprise Qatar is committed to build a flourishing SME sector through partnerships.¹¹⁵ The national development strategy supports the establishment of SMEs, thereby supporting job creation and the diversification of the economy.

Despite some differences, most programmes in the ESCWA region share a key feature: they target youth. Indeed, nearly all countries have at least one M/SME development programme focusing on or including youth as one of its main target groups. Box 6 highlights youth initiatives in the ESCWA region.

Box 6. M/SME development: youth initiatives in the ESCWA region

Bahrain: The Bahrain Development Bank commenced operation in January 1992, to nurture and support the development of SMEs in the industrial and service sectors. The bank aims to diversify the economic base, thereby creating new employment opportunities and contributing to the overall socioeconomic development of the country. In 2009, the total financing extended to enterprises reached BD52 million (US\$138 million).^{a/}

The bank has extended financial services to a large number of young entrepreneurs, spread across a broad range of economic subsectors, including manufacturing, tourism, health, education, fisheries, agriculture, professionals and value-adding services. The bank provides entrepreneurs with training and counselling to help them plan their business and extends financial and business developmental support for the establishment and operational management of their enterprises.

Egypt: The SFD Presidential Platform aims to create employment opportunities by supporting investment in small and microenterprises. The programme covers all types of activities, including agriculture, industry, health, education and tourism. From 2005 to 2008, a budget of over US\$613 million was allocated for the programme to support 568,000 small and microenterprises that generated 909,000 job opportunities.^{b/}

Saudi Arabia: The Centennial Fund, was established in 2004 to help young Saudi citizens achieve independence through investment in microenterprises and self-employment. It offers financing, knowledge and support to entrepreneurs aged 25-35 years to help them achieve the highest possible success rates, quality and performance standards in their projects. In 2007, the total running projects reached 540 for an overall figure of SRI88.6 million (US\$23.6 million).^{c/}

Oman: The Fund for Development of Youth Projects aims to establish small and medium sized projects that are economically feasible through encouraging and supporting youth who are willing to enter the private sector. The fund provides financial, legal, managerial, marketing and technical expertise. The fund has become more active and in 2009 handled more than 250 enquiries and provided financial assistance to 7 active projects that employ 24 Omanis. In addition, several entrepreneurs have benefited from advisory services which have generated an additional 30 jobs.^{d/}

Qatar: The Silatech Initiative was launched in 2008. It is aimed at creating new jobs for young people. In June 2009, Silatech announced a series of joint projects that contribute to youth employment, including cooperation with the Manpower company, to design innovative programmes in order to connect young people in the Middle East and North Africa, and a joint partnership with Berson (an international company for education and information) to develop skills in the field of trainer preparation.^{e/}

¹¹³ More information available at <http://www.defjo.net/site/en/about-def/about-us/vission>.

¹¹⁴ More information available at <http://www.sfd-yemen.org/smed/english/contents.php?id=1>.

¹¹⁵ More information available at <http://www.qsme.net>.

Box 6 (continued)

Syrian Arab Republic: The Shabab programme aims to prepare youth (aged 15-24 years) to work in the private sector or start their own business through raising their awareness of the benefits of private sector employment and helping them to develop key skills (such as entrepreneurship and problem solving). The ongoing programme began in 2005. This programme provides audio-visual training services on starting a business or searching for a job. Between 2005 and 2008, approximately 40,000 youth benefited from the programme.^{f/}

Notes: ^{a/} Bahrain Development Bank, p. 12.

^{b/} Egypt, Social Fund for Development, *Annual Report 2008*, p. 19.

^{c/} Saudi Arabia, *Centennial Fund Annual Report 2007*, p. 16.

^{d/} Oman, *Financial Statements for the Year Ended 31 December 2009*, pp. 1-2.

^{e/} United Nations Alliance of Civilizations, 2009, p. 11. More information available at www.silatech.com.

^{f/} More information available at <http://www.shabab.net.sy/en> and http://www.shababinclusion.org/section/multimedia/shabab_awan_shababsyria.

While women are a recurrent target group for programmes focusing on microenterprise development (as was the case in the programmes developed by the SFDs in Yemen and Egypt), they are underrepresented beneficiaries of SME development programmes. For example, from mid 2007 to the end of 2008, a mere 27 per cent of beneficiaries of the Khalifa Fund to support SMEs and training programmes were women.¹¹⁶ Similarly, of the beneficiaries of HRDF in Saudi Arabia, 168 were women and 239 were men.¹¹⁷ In addition, there is a tendency to encourage women to select unsustainable activities, such as handicrafts.

The vast majority of M/SME development programme beneficiaries in the ESCWA region are clients of SFD-supported programmes for microenterprise and small enterprise development to a lesser extent in Egypt and Yemen. In 2008, 172,000 micro-entrepreneurs and 17,000 small entrepreneurs received financial and non-financial support through SFD-supported programmes in Egypt. The micro-entrepreneurs created approximately 206,000 jobs, and the small entrepreneurs created 98,000 jobs.¹¹⁸ In Yemen, the SFD for small and microenterprises provided more than 36,100 jobs in 2008.¹¹⁹

Yet, outside of SFD-supported programmes, the vast majority of programmes in the ESCWA region cater to a very limited number of beneficiaries. The number of annual programme beneficiaries varies between a few dozen and one thousand. A few programmes have a higher number of beneficiaries, such as the Employment and Development Fund in Jordan, which provided approximately 5,600 loans in 2009.¹²⁰

- Services provided by M/SME development programmes

Programmes supporting M/SME development in the ESCWA region provide either financial services or non-financial services or an integrated package of both.

Financial services include the provision of an initial capital (or seed money), loans or loan guarantees and the taking of equity shares. The vast majority of programmes provide loans. A limited number provide loan guarantees and a very limited number take equity shares in companies.¹²¹ The size of loans and loan

¹¹⁶ Available at <http://www.adu.ac.ae/en/news/khalifa-fund-presents-its-plans-for-supporting-youth-enterprises.html>.

¹¹⁷ Saudi Arabia, HRDF, *Annual Report 2009*, p. 42.

¹¹⁸ Egypt, Social Fund for Development, *Annual Report 2008*, p. 14.

¹¹⁹ Yemen, Social Fund for Development, *Annual Report 2008*, p. 54.

¹²⁰ Jordan, Development and Employment Fund, 2009, table 2, p. 5.

¹²¹ More information available at <http://www.kspdc.com/english/faq.html>.

guarantees varies depending on the size of the enterprise, ranging from US\$230 for the SFD small and microenterprise development programme in Yemen, to an average US\$8,000 for Tamkeen's programmes in Bahrain, and even up to US\$290,000 loan guarantees under the programme to support SMEs of the Lebanese Ministry of Trade and Industry.

Non-financial services include training (for example in business management), technical and legal advice, support for business plan development, market research and analysis or consultancy on project implementation. These services are provided directly through specialized institutions, development banks, NGOs or the ministerial agencies that are implementing the M/SME development programmes. A limited number of programmes have set up "business incubators", which provide a combination of non-financial services. In Lebanon, the Integrated SME Support Programme has set up three business incubators providing a range of non-financial services.¹²² Similarly, the Bahrain Development Bank has set up the Business Incubator Center, which provides non-financial and financial services.

The analysis of international experience with M/SME development programmes has demonstrated that the provision of integrated financial and non-financial services promotes sustainable businesses. Yet, approximately one-third of all programmes sampled provide only financial services. In addition, though more than half of the programmes provide both financial and non-financial services, most beneficiaries do not receive integrated services. Financial and non-financial services are provided to different categories of beneficiaries. A limited number of programmes provide clearly integrated services to their beneficiaries. An example of integrated services is highlighted in box 7.

The provision of integrated services requires policy coordination. For example, the provision of good quality non-financial services requires the involvement of specialized agencies, such as vocational training institutions. However, throughout the ESCWA region, the level of coordination between vocational training institutions and agencies involved in SME development is low. Clearly, enhanced policy coordination is needed to improve the quality of M/SME development programmes.

Box 7. Integrating services: the example of the Khalifa Fund

The Khalifa Fund to support SMEs was established to support United Arab Emirates nationals, especially in Abu Dhabi. The Fund provides financial and non-financial services including:

- Financing through interest-free loans and seed money in special cases;
- Assistance services or consultancy services, including in marketing and finance;
- Training programmes;
- Business incubator centres.

From mid-2007 to end of 2008, the fund provided UAE dirham 292 million (approximately US\$80 million) in loans to 176 projects.

Source: <http://www.adu.ac.ae/en/news/khalifa-fund-presents-its-plans-for-supporting-youth-enterprises.html>.

- Sectors of economic activities supported by M/SME development programmes

There is a strong emphasis on agriculture, handicrafts and services in low and low-middle-income countries. In particular, some of the largest SFD-supported programmes for microenterprise development in Egypt and Yemen have a focus on service provision to micro-entrepreneurs in the agriculture and handicraft sector. This focus reflects the objective of poverty alleviation, notably in rural areas.

Programmes in middle-high and high-income countries generally support a more diversified set of economic projects; though projects in the agriculture and handicrafts sector receive a fair amount of support,

¹²² More information available at <http://www.economy.gov.lb/index.php/subCatInfo/2/95/27/7>.

and projects in the services sector often take the most significant share of financial and non-financial support, available figures show that M/SME development programmes also provide considerable support to manufacturing and industrial projects. Recently in Lebanon, industrial projects received 61 per cent of loan guarantees provided by the Integrated SME Support Programme.¹²³ In Saudi Arabia, 23 per cent of loan guarantees of the Saudi Industrial Development Fund SME Guarantee Program were allocated to industrial projects.¹²⁴ In the United Arab Emirates, 56 per cent of interest-free loans from the Khalifa Fund to Support SMEs were provided to projects in the industrial sector.¹²⁵

- Providers of M/SME development programmes

The institutional set-up for M/SME development programmes varies greatly from one country to another. Notably, different types of entities and institutions support the development of M/SMEs throughout the ESCWA region. Low-income countries and some middle-income countries tend to rely on SFDs or ministerial agencies, which often benefit from the technical and financial assistance of foreign donors. In GCC countries, a number of special funds dedicated to the development of SMEs have been established and private banks often play a central role.

In Egypt and Yemen, SFDs are the main provider of funding for micro and small enterprises development programmes. Funding is channelled to beneficiaries through microfinance institutions and NGOs that receive funds from SFDs and are tasked with providing financial and non-financial services to beneficiaries across the country.

In Iraq, Lebanon and the Syrian Arab Republic, ministerial agencies are responsible for the development of M/SME programmes. These agencies are managed by the Ministry of Labour in Iraq and the Syrian Arab Republic and the Ministry of Trade and Economy in Lebanon.

In GCC countries and Jordan, funds have been established that specifically support the development of M/SMEs. Most of these funds were established in the 2000s. In GCC countries and Lebanon, banks are important partners of M/SME development programmes. Banks provide loans and loan guarantees.

3. Policy challenges and questions for M/SME programmes in the ESCWA region

- Role of donors in M/SME development programmes

Many M/SME development programmes that are donor-driven are arguably unsustainable. In addition, where there is little coordination between donors, there is a relatively high risk of duplication.

- Mainstreaming equality in the design of M/SME development programmes

A twofold gender gap has been outlined above. In some cases women have lower access to financial and non-financial services, especially for programmes supporting SMEs. Furthermore, even when they have equal access to these services, as is the case for programmes supporting microenterprises, they tend to pursue activities with low levels of sustainability, such as handicrafts.

In addition, an urban bias is detectable in the design of some programmes. Beneficiaries of the Integrated Support for SME Development Programme in Lebanon appear to be concentrated in the Metn region and in Beirut.¹²⁶ Similarly, beneficiaries of the Saudi Industrial Development Fund are concentrated in

¹²³ More information available at <http://www.economy.gov.lb/index.php/subSubcatInfo/2/97>.

¹²⁴ Saudi Industrial Development Fund. *Annual Report of the Fiscal Year 2009*, p. 26.

¹²⁵ <http://www.adu.ac.ae/en/news/khalifa-fund-presents-its-plans-for-supporting-youth-enterprises.html>.

¹²⁶ More information available at <http://www.economy.gov.lb/index.php/subSubcatInfo/2/97>.

Riyadh and Mecca regions.¹²⁷ The question of outreach to rural areas and non-capital cities is seldom addressed. Some countries are making an effort, however, to reach out to all groups and ensure the impact of their programmes is equitable (see box 8).

**Box 8. Reaching out: decentralized M/SME development programmes
in the ESCWA region**

Bahrain: The Bahrain Development Bank expanded its network, which now includes seven centres across the country.^{a/}

Jordan: The Employment and Development Fund stresses its highly decentralized mode of operation, with branches all over the country.^{b/}

Oman: The Sanad Program strives to work at the *wilayat* (district) level, with offices all over the regions and governorates.^{c/}

Egypt: SFD has established a network of regional offices in the governorates to determine needs at the local level and facilitate the implementation, follow-up and monitoring of projects.^{d/}

Saudi Arabia: The Centennial Fund implemented up to 63 per cent of its projects outside the capital city in 2007.^{e/}

Notes: a/ Bahrain Development Bank, *Annual Report 2009*, p. 12.

b/ More information available at <http://defjo.net/site/en>.

c/ More information available at http://www.manpower.gov.om/en/sanad_mission.asp.

d/ More information in Arabic available at <http://www.sfdegypt.org/>.

e/ Saudi Arabia, *Centennial Fund Annual Report 2007*, p. 26.

- Evaluation and impact assessment of M/SME development programmes

As is the case for other ALMPs, the quality of M/SME development programmes is not systematically evaluated and their mid- and long-term impact is seldom assessed. Regarding quality control and programme evaluation, indicators such as credit efficiency or loan repayment rates are generally not compiled or analysed in annual reports. Very few impact assessments are available in the region. Programme studies or annual reports feature data that focus on the number of businesses established and the resulting net job creation during the time period of the programme. Data are needed on the mid- and long-term impact of programmes and the quality of wages created.

- Moving forward: M/SME policy and reforms

In most ESCWA member countries, M/SMEs make up 90 per cent of all businesses and generate the majority of employment opportunities. These businesses face considerable obstacles to development, including the lack of access to finance, red tape, inefficient or cumbersome taxation and administration. Existing M/SME development programmes have allowed for the establishment or growth of private businesses throughout the region, notably by lifting barriers to finance or strengthening business skills. Yet, these programmes cater to a limited number of businesses. The development of a vibrant, employment-generating M/SME sector requires a broad and comprehensive set of financial, administrative and regulatory reforms at the national level. Acknowledging this need for reform, Egypt, Lebanon and Qatar have moved M/SME policy to the top of their policy agendas and introduced financial, administrative and regulatory reforms.¹²⁸

¹²⁷ Saudi Industrial Development Fund. *Annual Report of the Fiscal Year 2009*, p. 23.

¹²⁸ More information available at <http://www.sme.gov.eg/>.

III. CONCLUSION

The sample of ALMPs examined in the present paper provides insights on some trends in Arab countries. It indicates, for example, that youth are a recurring target group. This finding reflects the fact that, even prior to the 2011 youth-led protests and revolts, Arab Governments were aware that youth unemployment represented a major socioeconomic challenge. However, the events of 2011 call for scaling up youth-targeted ALMPs, particularly to facilitate the transition from school to work. The sample indicates that training programmes and M/SME development programmes are among the most popular policy options in Arab countries. This suggests that policymakers in the region believe that the skills mismatch and insufficient job creation are the main obstacles to full employment. However, the effectiveness of their policies is hindered by the fact that they tend to implement stand-alone programmes rather than broad labour strategies (in particular in non-GCC countries). To effectively address the skills mismatch and the challenge of job creation, ALMPs must be developed as part of a comprehensive employment strategy, with clearly defined goals and objectives, rather than as quick-fix, stand-alone solutions.

The present paper has identified a series of key policy challenges for the design and implementation of efficient and equitable programmes. Importantly, it has revealed that programmes throughout the region tend to affect a very limited share of the unemployed, which calls into question their actual impact on unemployment at the national level. In addition, the present paper has shown that some segments of the labour force have limited access to programmes and services. Women constitute one such group. Their inequitable access to ALMPs reflects, and potentially reinforces, low female labour-force participation in Arab countries. In addition, available data also indicate that rural populations have lower access to ALMPs than urban populations, because most programmes are implemented in urban areas. The present paper has shown that the critical challenge of informal labour is inadequately addressed by ALMPs. This reflects the tendency of policymakers to focus on the deficiencies and needs of the formal labour market. The gender gap, the urban/rural divide and the lack of programmes for informal workers highlight the shortcomings of labour policy, and the need to increase the coverage of programmes (in particular in remote and rural areas) and make them more accessible to vulnerable groups such as women and informal workers in order to foster balanced social development.

The present review of selected ALMPs in the Arab region has revealed that data gathering and use at different stages of the development, implementation and assessment of ALMPs remains weak. The design of ALMP coverage, target groups and content tends to be insufficiently informed by labour-market data, thus hindering the market relevance and effectiveness of those programmes. In most Arab countries, the data gathered by labour market information systems are neither comprehensive nor comparable and are rarely of high quality. This helps to explain the low use of existing data by policymakers. Furthermore, very little data are gathered on the impact of ALMPs. Few impact assessments are available, and those that are tend to focus on short-term outputs rather than mid- or long-term outcomes. They do not provide information on the programme's impact on long-term employment or wages. Similarly, data are not available on job quality, gender balance and other social aspects of ALMPs. This points to a more general challenge in the region: to develop comprehensive and comparable databases, whether on socioeconomic challenges or on the effects of public policies. Some countries have started to address this data gap. Pushing this effort further will be crucial to enhance policymakers' understanding of the strengths and weaknesses of labour policies in the region, including ALMPs and ensure that future policy endeavours respond more efficiently to social development challenges, including labour challenges.

The present review of ALMPs has suggested that the level of policy integration is relatively low throughout the region. More often than not, the implementation of ALMPs suffers from a lack of coordination: while international experience has revealed the benefits of integrated employment services, the provision of ALMPs in the region remains fragmented. There is a clear need to design integrated ALMPs that provide beneficiaries with complementary services, including training, career guidance and job matching. This requires enhanced coordination between all the public agencies involved in the development and implementation of ALMPs, including employment offices, vocational training centres, and so on.

Greater integration is also needed to develop ALMPs hand in hand with other components of social policy, such as education or social security. Lack of integration has the potential to negatively affect the impact of ALMPs. Institutional coordination at the ministerial level should therefore be encouraged, particularly between ministries of labour, social affairs, education and immigration. The establishment of policy committees can be one solution to strengthen governance structures and processes.

An additional observation that can be made, based on the present overview of ALMPs, concerning the need to coordinate and regulate the role of non-State providers, whether donors, NGOs or private service providers. Donors play a fundamental role in ALMP development, funding and provision, particularly in non-GCC countries. While donors provide essential support for public intervention, their involvement requires coordination, preferably by Governments themselves. Coordination can help prevent programme replication, a common phenomenon in Arab countries, and foster the development of comprehensive and complementary ALMPs. The private sector and NGOs are playing an increasingly active role throughout the region, in particular in the provision of training programmes, employment services and M/SME development programmes. Yet, Arab countries face challenges in connection with the participation of private institutions. Most notably, the activities and services of private service providers (such as private employment offices or private training institutes) need to be regulated and accredited (especially in the case of training programmes).

Finally, the present overview of ALMPs has indicated that partnerships between Governments and private businesses remain underdeveloped, despite the efforts of some countries, in particular GCC countries, to engage private businesses at different stages of the development and implementation of ALMPs. Overall, private businesses remain undervalued by Governments as sources of information, funding or expertise, and their resources remain untapped. Partnerships between Governments and private businesses therefore need to be established or strengthened. At the planning stage, Governments should engage private businesses to identify in-demand skills, and develop appropriate training curricula. Private businesses can contribute to the funding of ALMPs through fees or participation in on-the-job training programmes or employment-linked training programmes. Their business and market expertise could enhance M/SME development programmes, in particular for the development of business incubator centres.

The conclusions of the present paper indicate that changes in policy directions are required, to facilitate the development and implementation of equitable and efficient labour policies, and to promote inclusive and sustainable development in the Arab region. They indicate that Arab States need the following: (a) enhanced willingness and capacity to set evidence-based and equitable social, labour and economic goals; (b) strengthened governance structures and processes that facilitate the coordination and integration of policies across ministries and public agencies; and (c) increased understanding of the benefits of partnerships with non-State actors, whether donors, NGOs or the private sector and strategies to regulate their engagement. In the wake of the Arab Spring, building capacity in these areas is critical to the renegotiation of the social contract and the transformation towards more inclusive, pro-poor and transparent Arab States.

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