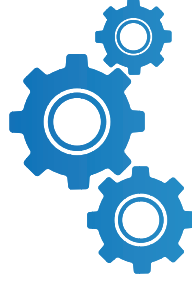




الدورة الثانية والخمسون

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Summary of Agenda Item One

Report of the Director-General

**Sustainable Economic Growth:
Towards Inclusive and Equitable Social
Development in the Arab States**

Foreword

The Director-General's Report to the **52nd Session of the Arab Labor Conference (2026)**, entitled "**Sustainable Economic Growth: Towards Inclusive and Equitable Social Development in the Arab States**," comes at a pivotal moment marked by rapid global economic transformation, the expanding impacts of digital and technological transformation, and the growing impact of geopolitical developments on Arab economies and their implications for social development. These developments underscore the urgent need for an **Arab development model that strikes a balance between fostering economic growth, advancing social justice, and expanding opportunities for decent work**. Improvements in macroeconomic indicators alone are insufficient to transform social realities unless they are accompanied by the creation of decent jobs, broader social protection, greater equality of opportunity, and measures to reduce widening disparities across population groups and regions. **Sustainable growth is, therefore, growth that creates lasting economic value while ensuring that its benefits are shared equitably.**

This report provides an analytical assessment of the relationship between economic growth and social justice and proposes practical pathways for translating the gains of economic growth into tangible outcomes. It identifies the key enablers of this transformation, including raising productivity, enhancing the competitiveness of Arab economies, expanding responsible investment, strengthening governance and the efficiency of administration, and harnessing technology and digital transformation to promote inclusion, equity, and reduced disparities. Achieving this transformation requires an effective partnership among the tripartite constituents. Governments are responsible for establishing enabling policies and legislative frameworks; employers drive investment, innovation, and job creation; while workers remain at the heart of the development process through skills development and higher productivity. In this context, **tripartite social dialogue** emerges as a vital institutional mechanism for balancing the demands of economic competitiveness with the imperatives of social justice.

The report also presents forward-looking perspectives and practical recommendations that view the challenges of the current period as an opportunity to reorient policies towards a more integrated approach, one that strengthens the links between education, skills, and labor market needs; optimizes the use of technology; supports the green transition as both a development pathway and a source of new employment opportunities; and promotes the fair and sustainable mobilization of resources and financing, thereby ensuring a balanced economic and social impact.

We look forward to enriching this report through your valuable observations and contributions, thereby reinforcing a shared Arab vision towards inclusive, equitable, and sustainable growth that places people and decent work at the heart of development.

Faiez Ali Al-Mutairi

Director-General

Introduction

The Arab States continue to pursue development pathways aimed at achieving sustainable economic growth that meets the aspirations of their societies and strengthens their capacity to respond to rapidly evolving economic and social transformations. While these efforts remain essential, they also highlight the growing need to ensure that the benefits of economic growth are shared more inclusively and equitably across all segments of society. This is particularly important given the diverse economic growth trajectories and institutional capacities across the Arab States, as well as the structural challenges facing labor markets, most notably high unemployment rates—especially among young people—low female labor force participation, and the prevalence of informal employment.

Against this backdrop, **sustainable economic growth and inclusive and equitable social development** have assumed increasing prominence on the Arab labor agenda, particularly in light of the need to better align economic policies with social objectives and to place people at the centre of the development process. Accordingly, this report is presented as a principal agenda item of the **2026 Arab Labor Conference**. It provides an analytical assessment of the trajectories of economic growth and social justice and examines their relationship with social development and the equity in the distribution of the benefits of growth across the Arab States.

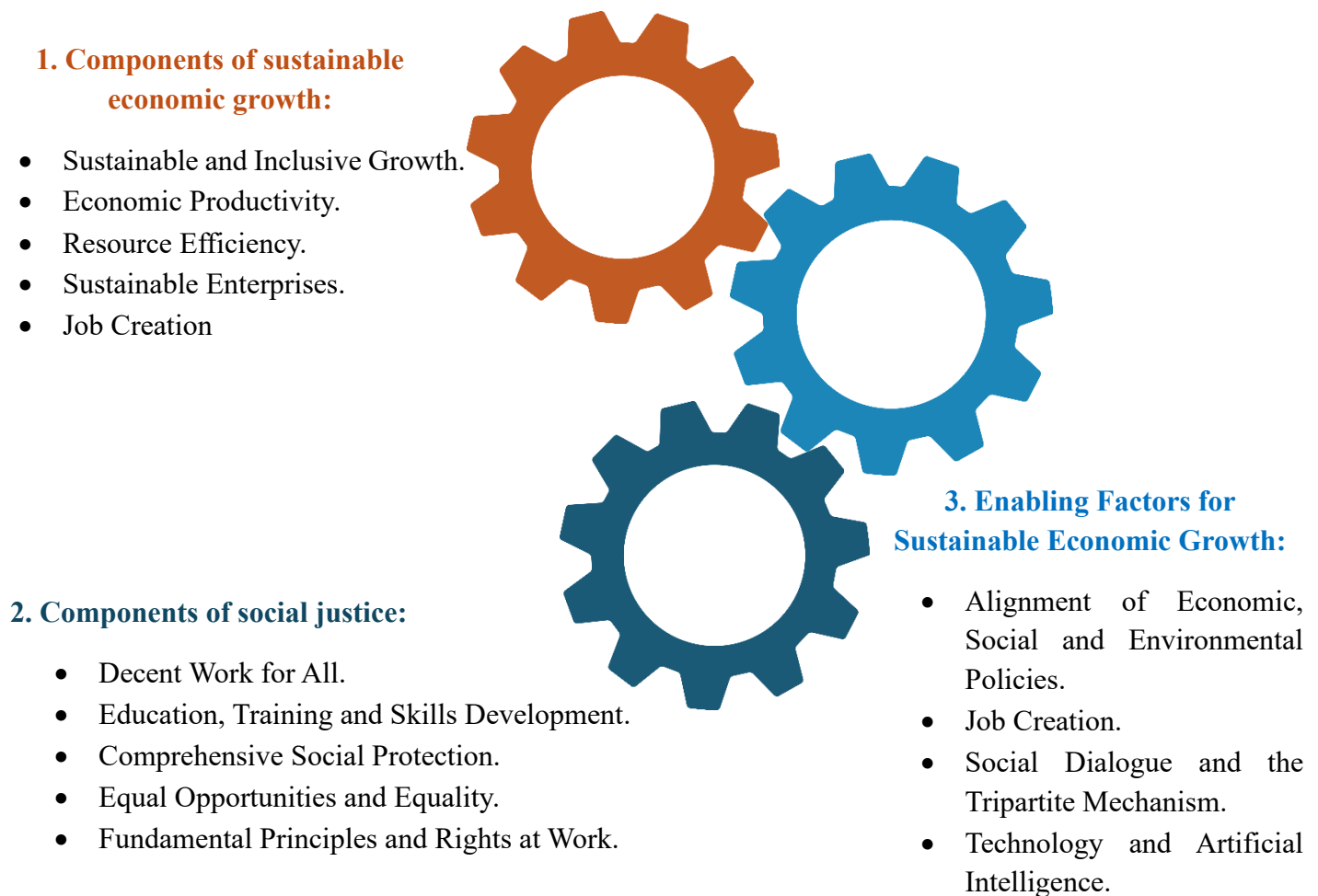
The report adopts an analytical methodology that combines economic and social perspectives. It draws on available official statistical data and indicators, analyses broad trends in labor markets and social development across the Arab States, and incorporates a selective review of relevant Arab and international experiences. It is submitted to the Arab Labor Conference as a resource to support discussions and deliberations among the tripartite constituents and to foster dialogue on policies that can promote more inclusive and equitable economic growth.

Section I: Conceptual Framework for Sustainable Economic Growth

1.1 Components of the Conceptual Framework

This section presents a conceptual framework for sustainable economic growth in the Arab States, built around three interrelated sets of components that provide the basis for an integrated approach balancing economic growth with sustainable social development. These comprise the components of sustainable economic growth, the components of social justice, and the enabling factors that promote their integration.

Figure 1: Components of Sustainable Growth



The components of sustainable economic growth are founded on increasing total factor productivity and broadening the base of economic activity while ensuring the equitable distribution of the benefits of growth. This requires policies that direct investment towards innovation, technology, and skills development; improve resource efficiency; enhance competitiveness; and support enterprises in transitioning to business models that are more socially and environmentally sustainable, while simultaneously promoting the broad and consistent provision of decent work

opportunities. Comparative experience demonstrates that longer and more stable growth trajectories are associated with the adoption of coherent packages of structural policies. These include long-term investment in education, training, and scientific research; support for innovation, technology transfer, and the strengthening of the business environment; the establishment of comprehensive and resilient social protection systems; alignment of economic policies with social and environmental objectives; the adoption of active labor market policies; and strengthening the developmental role of the State without diminishing the role of the private sector.

The components of social justice are centred on ensuring that all members of society benefit from the gains of economic development through the expansion of social protection systems, the promotion of decent work, the provision of relevant education and training opportunities, the promotion of equal opportunities, and the protection of fundamental principles and rights at work. Decent work constitutes the cornerstone of this approach, encompassing productive employment with fair wages, safe and healthy working conditions, social protection, respect for freedom of association and collective bargaining, and non-discrimination, while reaffirming its close alignment with Sustainable Development Goal 8.

The framework also highlights examples of the role of minimum wage policies and measures to reduce the gender pay gap, as well as the importance of investing in education and training to enhance productivity and promote equal opportunity. It further illustrates the contribution of robust social safety nets to strengthening economic resilience and building human capital, drawing on programmes such as Bolsa Família in Brazil and South Africa's comprehensive social protection system, as well as the experiences of the Nordic countries and Canada in promoting women's empowerment, implementing anti-discrimination legislation, fostering the inclusion of persons with disabilities, and advancing regional development.

More broadly, respect for fundamental principles and rights at work, including freedom of association and the effective recognition of the right to collective bargaining, the elimination of child labor and forced labor, and non-discrimination—constitutes an essential prerequisite for achieving equitable and inclusive development.

The enabling factors for integration serve as the critical link between sustainable economic growth and social justice within a coherent policy framework. This begins with aligning **economic, social, and environmental policies** through integrated planning, cross-sectoral coordination mechanisms, and strategies that link economic growth to the expansion of social protection, the development of digital services and adaptive social registries, the sustainable financing of social protection systems, and stronger linkages between social protection and labor market.

Effective **tripartite social dialogue** is a cornerstone of social peace and stability, contributing to more balanced and responsive policymaking. In this regard, the framework draws attention to the experiences of the Nordic countries and South Africa, while underscoring the importance of strengthening national institutions for tripartite

cooperation. It also highlights **the role of technology, innovation, and digital transformation** in enhancing economic efficiency, creating employment opportunities, and expanding social services, citing examples of digital social protection systems in Argentina, Botswana, and South Africa.

The framework further addresses the transformative implications of **artificial intelligence**, emphasizing the need for comprehensive policies to support skills development, bridge the digital divide, and safeguard privacy. It concludes by reaffirming that **good governance and sound administration** are indispensable to effective implementation, ensuring clear institutional roles, transparency, accountability, the rule of law, and the efficient use of public resources. Finally, it emphasizes that these three sets of components are not independent of one another; rather, they collectively provide the foundation for a renewed vision and a new social contract in the Arab States, founded on a development model that delivers economic prosperity while ensuring social justice and sustainability for present and future generations.

1.2 The Importance of Linking Sustainable Economic Growth to Social Justice

Achieving sustainable economic growth in any society cannot be separated from social justice. Without social justice, economic growth becomes vulnerable to structural imbalances and risks becoming unsustainable. Widening social disparities and the unequal distribution of the benefits of growth generate tensions and instability, thereby undermining economic and development gains. Consequently, contemporary development literature emphasizes that sustainable economic growth cannot be achieved without genuine integration with the objectives of social justice.

International and regional frameworks likewise underscore the close interdependence between the economic and social dimensions of development. Sustainable Development Goal 8 calls for "promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" by 2030. Similarly, the Decent Work Agenda adopts a comprehensive approach that integrates job creation, the protection of workers' rights, the expansion of social protection, and the promotion of social dialogue as indispensable pillars of any successful development strategy.

The complementary relationship between sustainable economic growth and social justice demonstrates that growth accompanied by policies promoting the equitable redistribution of income and investment in human capital contributes to the expansion of the middle class and stimulates domestic demand, thereby reinforcing the sustainability of growth itself through a virtuous cycle. At the same time, social justice fosters a stable, enabling, and investment-friendly environment by reducing inequalities and providing robust social safety nets, thereby creating a stable, enabling, and attractive environment for investment and production.

Education, decent work, and social protection constitute the fundamental pillars of this interdependence. Investment in quality education and vocational training enhances

productivity while empowering individuals and promoting equal opportunity. Decent work serves as the principal mechanism for ensuring that the benefits of economic growth are shared across society. Meanwhile, comprehensive social protection systems, including health insurance, unemployment insurance, old-age pensions, and targeted support for low-income and vulnerable groups—serve as a vital safeguard against poverty during periods of economic downturn, while also helping to sustain domestic consumption during times of crisis.

In the context of ongoing global transformations, technology and good governance have emerged as key enablers of closer integration between economic growth and social policies. This requires forward-looking policies for skills development and social protection, as well as government coordination mechanisms that ensure the alignment of economic and social policies within a unified strategic vision. It also calls for the active engagement of stakeholders through social dialogue, thereby fostering sustainable and inclusive growth that meets the needs of the present without compromising the ability of future generations to meet their own aspirations.

Section 2: Linkages Between Sustainable Economic Growth and Social Justice in the Arab States

2.1 Economic Performance and Structural Trends

During 2024–2025, the Arab region experienced marked disparities in economic performance, while the social benefits of economic growth remained limited and insufficient to reduce existing inequalities. Regional economic growth slowed to approximately 2.5 % in 2024, reflecting the combined effects of overlapping political and economic crises and fluctuations in energy prices. Growth is projected to accelerate moderately to around 3.9 % in 2025, supported by continued investment in non-oil projects and structural reforms aimed at promoting economic diversification in several Arab States, particularly the member States of the Gulf Cooperation Council (GCC).

In contrast, the outlook for a number of non-oil economies and countries affected by unrest or instability remained weak or negative, with the recovery continuing to be fragile and contingent upon domestic stability, institutional capacity, and broader global conditions. These include heightened trade tensions, tighter international financial conditions, and the fiscal pressures resulting from lower oil prices on fiscal space of oil-exporting economies.

The analysis concludes that sustaining growth momentum over the medium and long term will depend on the effectiveness of structural reforms, the continued implementation of economic diversification policies, enhanced competitiveness, efficiency of public finances, an improved business environment, and deeper regional economic integration.

2.2 The State of Social Justice: Achievements and Challenges

Despite the relative improvement in macroeconomic indicators in some Arab States in 2025, significant social disparities persist across the region, posing major challenges to

the achievement of social justice. The Arab region continues to record among the highest unemployment rates globally, estimated at approximately **9.8 %** in **2024**, while youth unemployment remains persistently high at around **26.4 %** in **2023**, reflecting the persistence of **structural unemployment** and the **difficulty of generating** sufficient employment opportunities for new labor market entrants.

Women's participation in the labor market also remains among the lowest worldwide. In **2024**, the female labor force participation rate stood at approximately **11.7 %** across the Arab region (excluding the Gulf States), rising to around **25.5 %** when the Gulf States are included. Nevertheless, the participation gap between men and women remains substantial, exceeding **61 percentage points** among adults.

Poverty estimates indicate that approximately **34.2 %** of the population in the Arab region lived below the poverty line in **2024**, with a modest decline to **33.4 %** projected by **2026**. These figures underscore that the benefits of economic growth have not been sufficiently translated into meaningful poverty reduction. They also highlight how conflicts and protracted crises can rapidly erode social gains accumulated over decades, while drawing attention to the growing significance of **multidimensional poverty**, which extends beyond income to encompass access to essential services and the enjoyment of fundamental rights.

In response to these challenges, governments across the Arab region intensified their efforts to strengthen social safety nets during **2024–2025**. Nevertheless, effective social protection coverage remains limited, with significant gaps in both coverage and equity, particularly for vulnerable groups and workers in the informal economy. Only **15.4 %** of children receive any form of social protection, while the average legal coverage of pension systems does not exceed **46 %**, with coverage among women falling to approximately **34.8 %**.

Available data also indicates the widespread prevalence of the informal economy across the region, accounting for approximately **67.1 %** of total employment, while only **23.9 %** of the labor force contributes to pension schemes. As a result, the majority of workers remain inadequately protected against the risks associated with old age and unemployment. This underscores the need for reforms that link the expansion of social protection to labor market reforms, the formalization of the informal economy, and measures to ensure financial sustainability of social protection systems.

2.3 The Gap Between Growth and Social Justice

Taken together, these trends reveal **a clear gap between economic growth trajectories and levels of social justice**

Unemployment persists despite economic growth, poverty persists despite rising output, and disparities continue to widen across geographic areas, between women and men, and among different social groups. The benefits of growth are often concentrated in a limited number of economic centres and among specific segments of the

population, while disparities continue to widen between countries with greater stability and stronger fiscal capacity and those affected by crises.

From a geographical perspective, this gap is reflected in the pronounced disparities both across countries and among regions within the same country. Similar inequalities are evident within individual countries, where prosperous urban centres stand in sharp contrast to underserved rural and peripheral areas. In many cases, the gains of economic growth are concentrated in a limited number of economic hubs, while other regions continue to lag behind in development, undermining social cohesion and weakening social stability.

The gap also extends to social inclusion, as the gender gap has not narrowed significantly, nor have young people and other disadvantaged groups experienced meaningful improvements in access to decent work opportunities. This has contributed to a pattern of non-inclusive or inequitable growth, whereby economic expansion may be accompanied by widening inequalities in the absence of effective redistributive policies, persistent barriers to economic mobility, and the concentration of wealth and opportunities for advancement.

The second section concludes that the challenge of linking economic growth with social justice remained unresolved as of late 2025. Addressing this challenge requires a new policy approach that forges stronger links between growth and social justice through investment in human capital—including education, healthcare, and the empowerment of young people and women—and by expanding decent work opportunities in labor-intensive productive sectors. It also calls for the development of social protection systems that are more comprehensive and responsive to the needs of people living in poverty and other marginalized groups.

In addition, the report emphasizes the importance of strengthening Arab cooperation, deepening regional integration, and promoting the exchange of experiences among Arab States to address shared challenges. Bridging the gap between economic growth and social justice ultimately requires a long-term vision that places people at the centre of, and as the ultimate objective of, the development process, ensuring that economic growth translates into improved living standards for all, while leaving no one behind.

Section 3: Dimensions of the Framework for Sustainable Alignment between Economic Growth and Social Justice

This section focuses on five key dimensions that constitute the core of the Framework for Aligning Sustainable Economic Growth with Social Justice in the Arab States: human capital and education; technology, innovation, and digital transformation; environmental sustainability and the green transition; good governance and sustainable administration; and partnerships and sustainable financing.

These dimensions are inherently interconnected and mutually reinforcing, each enhancing the effectiveness of the others. Together, they foster a dynamic balance

between economic growth, social progress, and environmental sustainability, while helping to reduce disparities both within and among Arab States.

3.1 Human Capital and Education

Human capital constitutes the cornerstone of efforts to align education with productivity growth and improve labor market efficiency. Despite improvements in educational enrolment rates, the region continues to face significant challenges arising from **skills gaps and the mismatch between educational outcomes and labor market needs**. These challenges help explain the persistent difficulties graduates encounter in securing suitable employment, the prevalence of frictional unemployment and skills mismatches, the continued high rates of youth unemployment, the growing group of young people who are **not in employment, education or training**, and the persistently low labor force participation of women despite their educational progress.

Addressing these challenges requires improving the quality of general, vocational, and technical education, modernizing curricula, and strengthening their alignment with labor market needs through institutional partnerships and expanded work-based learning opportunities. At the same time, greater emphasis should be placed on **equipping learners with the digital, analytical, and creative skills required for the future of work**, while recognizing **women's economic empowerment** and support for entrepreneurship as key drivers of inclusive growth and social justice.

The education dimension also reinforces the principle of **lifelong learning** and continuous reskilling as essential to maintaining a resilient and adaptable workforce capable of responding to rapid technological change. This includes integrating work-based learning pathways and expanding access to open training platforms to mitigate the risks of technology-driven unemployment.

3.2 Technology, Innovation and Digital Transformation

Technology, innovation, and digital transformation contribute to higher productivity, improved efficiency, and expanded access to both public and private services, thereby supporting economic growth and advancing social justice through greater efficiency and reduced waste. The report also highlights the growing importance of the digital economy as an increasingly significant driver of development, while emphasizing the role of artificial intelligence (AI) in enhancing productivity, supporting evidence-based policymaking, and improving the efficiency of resource allocation.

Artificial intelligence technologies can further strengthen policymaking by analyzing vast amounts of economic and social data, enabling governments to design and target development programmes with greater precision, efficiency, and effectiveness.

Despite these promising opportunities, Arab States continue **to face several challenges in advancing digital transformation and technological innovation** that must be addressed to ensure that digital transformation is both equitable and inclusive. These

challenges include the persistent digital divide between countries and within societies—including disparities based on gender, geography, and **age**—**weak governance of digital data, gaps in institutional digital transformation, and inadequate regulatory frameworks for artificial intelligence and innovation**. They also include the **potential impact of automation on labor markets**, underscoring the need for a just transition that provides affected workers with opportunities for skills development and reskilling, employment services, and adequate social protection.

3.3 Environmental Sustainability and Green Transition

Environmental sustainability and the green transition constitute a fundamental dimension of achieving environmental justice and ensuring the long-term sustainability of economic growth in the Arab States. The region faces significant environmental challenges that make the transition to an environmentally sustainable development model an urgent imperative. The Arab region is among the areas most vulnerable to the impacts of climate change, including rising temperatures, droughts, water scarcity, sea-level rise, and deteriorating urban air quality. Unless effectively addressed, these challenges could undermine the foundations of economic growth.

At the same time, the transition to a green economy presents a significant development opportunity to generate green jobs and stimulate innovation across sectors such as renewable energy, sustainable agriculture, water resource management, recycling, and clean transportation. Unlocking the employment potential of the green economy requires supportive policies and targeted investments, particularly in renewable energy, energy efficiency, and resource management.

A just transition also requires planning for the reskilling of workers in carbon-intensive sectors while ensuring that the green transition does not become a source of social exclusion. At the same time, integrating climate objectives into national development strategies and plans is becoming increasingly important to strengthen economic and social resilience to climate-related shocks. This requires pursuing two complementary pathways: **reducing emissions** through clean energy and improved energy efficiency, and **adapting to climate change by enhancing resilience**, strengthening infrastructure, improving risk management and early warning systems, and expanding climate risk insurance. Nevertheless, the report recognizes that the investment and financing gap remains a key factor to advancing this transition.

3.4 Good Governance and Sustainable Administration

Good governance and sustainable public administration constitute the backbone of effective and equitable implementation of development policies. Even where sound development strategies exist in areas such as education, the economy, or the environment, their objectives cannot be achieved without effective institutions, capable public administration, and governance founded on the principles of transparency, participation, and accountability. Good governance entails the adoption of high standards in decision-making and the management of public resources in ways that

promote economic efficiency while ensuring the equitable distribution of the benefits of development.

Sustainable public administration is presented as an approach based on long-term planning, social and environmental impact assessment, enhanced public sector productivity, and stakeholder engagement. Aligning economic growth with social justice also requires reforms in public financial management to direct public expenditure towards social priorities and safeguard investment in education, healthcare, and social protection, even during periods of crisis. It further calls for the establishment of robust monitoring and evaluation mechanisms to support evidence-based policy adjustments and improve the efficiency of public spending.

Social dialogue among governments, employers, and workers constitutes a fundamental pillar for ensuring that economic policies are aligned with the objectives of social justice and for promoting stability in labor markets. Regular mechanisms for consultation and collective bargaining among the three constituents help resolve disputes through consensus, facilitate the formulation of policies that balance the interests of all parties, and strike a balance between economic efficiency and the protection of workers' rights. The successful implementation of development policies requires strong institutional capacity throughout the public policy cycle—from planning and strategy formulation to inter-institutional coordination, effective implementation, and, ultimately, monitoring and evaluation to support learning and continuous policy improvement.

Over the past two decades, most Arab States have established national councils or committees for sustainable development or for the implementation of the Sustainable Development Goals (SDGs) as part of their national plans and strategies. Nevertheless, many have continued to **face challenges arising from weak horizontal coordination** among ministries and public institutions, **fragmented institutional responsibilities**, and shortcomings in effective implementation, monitoring, and evaluation. These challenges may result in policy inconsistencies, duplication of efforts. Addressing them requires fostering a culture of accountability, strengthening institutional capacities, and leveraging digital transformation to enhance monitoring and support evidence-based decision-making.

Against this backdrop, reforming institutional structures has become essential to ensure a clear delineation of roles and responsibilities, while strengthening mechanisms for government coordination through a "whole-of-government approach", under which ministries work collectively as a single team to achieve shared national priorities. Equally important is enhancing the capacity of the public sector workforce. Modern development planning requires competencies in economic and social analysis, the use of data and statistics, and strategic foresight—skills in which governments should continue to invest through the training and professional development of public officials.

3.5 Partnerships, Financing, and Equitable and Sustainable Resource Mobilization

Sustainable alignment between economic growth and social justice cannot be achieved without building effective partnerships and developing innovative financing mechanisms that secure adequate resources and ensure their efficient allocation to development priorities with equitable social impact. This dimension provides the enabling framework for mobilizing financial, human, and technological resources through multi-level partnerships involving the public and private sectors, cooperation among countries and international institutions, and the social economy's contribution to mobilizing resources at the local level.

The overarching objective is to broaden the resource base available for development while ensuring that these resources are allocated equitably across different population groups and geographic areas. This requires regulatory frameworks, transparency, the safeguarding of the public interest, and measures to ensure the quality and accessibility of services without placing an undue burden on vulnerable groups.

Partnerships in education and training also play a vital role in improving the quality of outcomes, strengthening their alignment with labor market needs, and promoting the sharing of costs and risks.

Many Arab States need to expand the use of **sustainable financing instruments**, including green, climate, social, and sustainability-linked finance—while integrating environmental, social, and governance (ESG) principles into financing decisions. At the same time, greater efforts are needed to channel international financing and official development assistance towards supporting the transition to sustainable development.

At the domestic level, financing equity depends on reforms aimed at strengthening domestic resource mobilization, improving revenue collection efficiency, combating tax evasion, and directing public expenditure towards the most disadvantaged regions and population groups.

In addition, the **social and solidarity economy** is presented as an important instrument for local empowerment and the equitable distribution of income through the creation of local employment opportunities, the provision of accessible services, and the inclusion of vulnerable groups. However, maximizing its contribution requires enabling legal frameworks, adequate financing, capacity-building, and its integration into public procurement systems based on transparent and accountable criteria.

The third section concludes that integrating these five dimensions within a comprehensive framework for aligning sustainable economic growth with social justice provides a balanced approach that simultaneously promotes economic growth, advances social progress, and protects the environment. Accordingly, a participatory approach that brings together governments, the private sector, civil society, and the social and solidarity economy represent the most practical pathway towards achieving

balanced economic growth that leaves no one behind while respecting the rights of future generations.

Section 4: Future Outlook: Towards a Balanced and Inclusive Development Model – Recommendations

Over the coming decade, the Arab States will face a series of transformative developments that present both significant opportunities and major challenges. Although economic growth has recovered to some extent in the aftermath of the pandemic, international reports indicate that **labor market recovery continues to lag well behind output growth**, while demographic pressures on labor markets are expected to intensify.

Current indicators point to a worrying youth employment gap. Youth unemployment in the Arab region remains nearly twice the global average, placing the region off track to achieve Sustainable Development Goal Target 8.6. At the same time, informal and vulnerable employment continues to expand, with a large proportion of workers in these forms of employment lacking adequate social protection. In addition, many employed persons continue to live below the poverty line. These trends reflect persistent structural imbalances in labor markets, low productivity across key sectors, and the limited capacity of Arab economies to generate high-quality jobs. They also underscore the structural transformation that has taken place in many Arab States over recent decades, characterized by a shift towards traditional, low-value-added service sectors at the expense of modern, high-productivity sectors.

Accordingly, **enhancing productivity, diversifying the economic base, and accelerating the transition towards higher value-added sectors and advanced technologies** will constitute key priorities for transformative change in the lead-up to 2030.

In the area of **technology and digital transformation**, the region has made significant progress, driven by the widespread adoption of mobile technologies and Internet connectivity, with several Gulf countries ranking among the global leaders in digital penetration. Nevertheless, the **digital divide** remains pronounced both across the region and within individual countries, particularly between urban and rural areas and across different socioeconomic groups.

Digital transformation presents a major opportunity to enhance productivity and foster new business models. However, realizing its full potential requires effective policies to bridge the digital divide and expand digital skills across society. Otherwise, the region risks leaving some economies behind in capturing the benefits of the Fourth Industrial Revolution.

Conversely, climate and environmental challenges are emerging as major constraints on the region's development trajectory. The Arab region is among the areas of the world most vulnerable to the impacts of climate change, with far-reaching consequences for water security, agriculture, tourism, ecosystems, and public health. Unless

comprehensive adaptation and mitigation measures are adopted, these challenges will heighten social and economic risks.

At the same time, the global transition towards a low-carbon economy presents significant challenges for oil-based rentier economies. However, it also offers substantial opportunities to invest in clean energy and create green jobs through a just energy transition that strengthens competitiveness.

Demographic trends also present an **opportunity** that can be transformed into a demographic dividend through investments in quality education and the creation of employment opportunities for young people. At the same time, they pose important challenges, including the gradual ageing of populations in some Arab States and the resulting pressures on pension systems and healthcare services. Additional challenges arise from the effects of migration, displacement, conflict, and instability on demographic structures, public services, and labor markets.

At the same time, trust in **institutions and good governance** remains a decisive factor in the success of any balanced development model. Bureaucracy and institutional inefficiency continue to undermine the effectiveness of public policies and the efficiency of public expenditure, underscoring the need to build effective, transparent, and accountable institutions, modernize legislative frameworks, strengthen the rule of law, and reinforce judicial independence. Equally important is the promotion of **broader social dialogue** as an institutional mechanism for engaging the three constituents in policymaking and fostering social stability.

More broadly, the future of development in the Arab States will depend on a set of interconnected priorities: expanding opportunities for all—particularly for young people and women; building human capital for the jobs of the future; enhancing productivity through innovation and technology; advancing environmental sustainability and climate adaptation; accelerating inclusive digital transformation; promoting innovative financing for development; and reforming governance and institutions to strengthen trust .

4.1 General Strategic Recommendations

1- Economic Policies

- a. **Diversify the economic structure and strengthen the private sector** by reducing dependence on rent-based sectors, promoting entrepreneurship, removing barriers facing start-ups and small enterprises, and expanding access to productive and alternative financing, including venture capital and private equity funds. This should be accompanied by reforms to legal and regulatory frameworks, the simplification of the business environment, measures to reduce bureaucratic obstacles, the promotion of equal opportunities, and the advancement of financial inclusion.
- b. **Adopt macroeconomic policies that promote employment and inclusion** by improving the efficiency of public expenditure, particularly in infrastructure, education, and healthcare, while containing unproductive spending. These policies

should also promote greater equity in revenue distribution by broadening the tax base, enhancing tax progressivity, and reducing tax exemptions. They should further strengthen fiscal buffers and ensure proactive public debt management, while pursuing monetary policies that effectively address inflation and preserve monetary stability, given their direct impact on vulnerable groups and the sustainability of economic growth.

- c. **Enhance industrial and technological productivity and competitiveness** by upgrading value chains and developing high value-added sectors. This requires targeted investment incentives, support for technology transfer and innovation, the development of smart infrastructure, the facilitation of intra-Arab trade, and the acceleration of Arab economic integration.
- d. **Develop the digital economy and harness artificial intelligence** as a driver of inclusive economic and social development through national digital transformation strategies that provide affordable high-speed Internet access, promote digital payments and e-commerce, and support business incubators and accelerators. These efforts should build on Arab joint action initiatives, such as the Arab Digital Agenda 2023–2033, while giving particular attention to small and medium-sized enterprises (SMEs).
- e. **Support emerging sectors and the green economy** by identifying future-oriented economic sectors with comparative advantages or high growth potential and directing targeted support and incentives towards them. This should be accompanied by the integration of sustainability into economic and fiscal planning, including climate budgeting, as well as the promotion of green projects and the development of skills for green jobs.
- f. **Promote Arab and regional economic cooperation** and maximize mutual benefits by strengthening Arab economic integration and expanding cooperation with neighbouring regions, where feasible. This includes advancing the implementation of the Greater Arab Free Trade Area and other Arab free trade agreements, enhancing Arab and regional electricity and natural gas interconnections, and coordinating cross-border transport and logistics policies. Cooperation should also be strengthened in the area of development finance through joint Arab funds to support strategic investments in major regional projects, particularly in renewable energy, infrastructure, and food security.

2- Social Policies

- a. **Reform education systems and strengthen skills development** by restructuring curricula and educational programmes to align with the requirements of the twenty-first century and the evolving labor market, particularly in light of the rapid advancement of artificial intelligence applications. Priority should be given to investing in early childhood development and basic education, modernizing curricula, strengthening the link between education and labor market needs, expanding technical and vocational education and training and lifelong learning, and integrating digital, critical thinking, and creative skills into education and training programmes.

- b. **Address skills gaps by promoting continuous reskilling, upskilling, and lifelong learning** through the expansion of e-learning platforms and micro-credentials, and by equipping unemployed persons with new skills, particularly in fields with the highest labor market demand.
- c. **Empower young people and facilitate their transition from education to employment** through apprenticeships, work-based learning, employment services, career guidance, incentives for hiring graduates, and the promotion of entrepreneurship.
- d. **Promote the economic and social empowerment of women** by expanding access to suitable and safe employment opportunities, strengthening legislation to prevent discrimination, supporting women's entrepreneurship, expanding childcare services and maternity and paternity leave, reviewing existing restrictions where applicable, and investing in girls' education in science, technology, engineering, and mathematics (STEM).
- e. **Strengthen comprehensive social protection systems** by reforming subsidy schemes to improve targeting through cash transfers, expanding social security coverage for workers in the informal economy, extending unemployment insurance, developing unified social registries, and advancing universal health coverage.
- f. **Combat poverty and inequality and promote social inclusion** by developing the poorest regions and strengthening infrastructure and services, alongside redistribution policies, minimum wage policies, and social housing, while addressing urban–rural disparities.
- g. **Reform labor market policies and promote decent work** through active labor market policies, support for labor-intensive sectors, strengthened labor inspection and occupational safety and health, the gradual extension of legal coverage, measures to facilitate the transition from the informal to the formal economy, and the strengthening of tripartite social dialogue.

3- Environmental Policies and Sustainability

- a. **Adapt to climate change and strengthen resilience** through national adaptation plans, integrated water management, climate-resilient infrastructure capable of withstanding extreme weather events, early warning systems, and the protection of communities most exposed to climate risks, while recognizing "**climate-smart adaptation**" as a driver of development.
- b. **Transition to a low-carbon green economy** by expanding renewable energy, energy efficiency, energy storage, and green hydrogen, adopting a circular economy approach, and making sustainable transport a priority.
- c. **Preserve natural resources and safeguard food and water security** through integrated water management, regional cooperation on shared basins, increased agricultural productivity, diversification of import sources, and the establishment of strategic reserves.

- d. **Strengthening environmental legislation and institutions** through environmental impact assessments, improved waste management, biodiversity protection, and enhanced oversight, enforcement, and transparency.
- e. **Finance Climate Action and Sustainable Development Through Green Bonds**, partnerships, climate funds, and tax incentives, while exploring the possibility of allocating part of the revenues from extractive industries (oil and gas) to a national sovereign wealth fund for future generations, with investments directed towards economic diversification and sustainability projects.

4- Governance and Institutions

- a. **Reform public administration and strengthen institutional effectiveness** by simplifying procedures, improving public services, and promoting integrity, transparency, and the rule of law, with government digital transformation playing a central role in enhancing efficiency and transparency.
- b. **Strengthen policy coherence and institutional coordination to support balanced development** by linking planning with budgets and medium-term expenditure frameworks and integrating assessments of the impact of policies on employment and social justice.
- c. **Develop an efficient and innovative public sector** based on merit, continuous training, data-driven analysis, innovation labs, and well-designed decentralization.
- d. **Strengthen regional cooperation and institutional knowledge-sharing** through platforms or an annual forum on good governance linked to labor market and social development programmes.

It is important to emphasize that these recommendations are interconnected and mutually reinforcing. Economic reform without social justice and good governance will not lead to inclusive development, just as social spending without adequate economic resources and fiscal sustainability cannot be sustained. Environmental sustainability, in turn, requires integration across all economic and social policies. Accordingly, what is needed is a balanced development vision that places people at its centre, implemented through the joint efforts of public institutions, the private sector, and civil society within the framework of a renewed social contract that strengthens trust and equity.

4.2 The Role of Social Partners in Supporting the Implementation of the Recommendations

The implementation of the recommendations is closely linked to the effectiveness of social partners' participation. Governments, employers' organizations, and workers' organizations together form an institutional framework that supports the implementability of policies and strengthens their alignment with national priorities and

the realities of labor markets. Social dialogue emerges as a key mechanism for supporting policy formulation and implementation, building consensus, strengthening trust, and aligning economic objectives with social considerations. Employers' organizations contribute to translating policy directions into implementable practices, while workers' organizations help convey the perspectives of workers, improve working conditions, and support pathways towards decent work. This, in turn, enhances the quality of policies and the effectiveness of their implementation, leading to more inclusive and sustainable outcomes.

Accordingly, strengthening the role of social partners within existing dialogue and consultation frameworks is an enabling factor in translating the recommendations set out in this report into practical policies and programmes that support the achievement of the desired balance between economic growth and social justice and contribute to strengthening stability and development across the Arab States.

4.3 The Role of the Arab Labor Organization in Supporting Member countries

Building on the Constitution and Charter of the Arab Labor Organization, the Organization plays a central role in supporting Member States in translating the recommendations and strategies set out in this report into more coherent and effective policies. This role is grounded in its mandate as a specialized Arab organization concerned with labor and workers' issues since 1965. It derives from the Organization's role as a normative, coordinating, and policy-support institution that works to strengthen the integration of the economic, social, and labor dimensions of development, without undermining national sovereignty or replacing national institutions. Looking ahead, the Organization's role will focus on five complementary and mutually reinforcing areas:

First: Monitoring and Assessing Progress and Strengthening Coordination and Integration among national policies

With its membership comprising 21 Arab States, the Arab Labor Organization serves as a unifying Arab platform that facilitates convergence among national policies in the areas of labor, employment, skills development, and social protection, thereby supporting Arab integration and reducing unproductive disparities among the Arab States. This includes facilitating dialogue on cross-border issues, such as the mobility of Arab labor, mutual recognition of qualifications, and the coordination of training and employment standards, in a manner that ensures scope for alignment while respecting national specificities. In coordination with the League of Arab States, the Organization can also establish regular frameworks for knowledge-sharing, peer learning, and the development of common perspectives on key issues, such as linking education to the labor market and reforming social protection systems, thereby strengthening policy coherence and enhancing their development impact.

The Organization also serves as an Arab "centre of expertise" for monitoring and analysing developments in labor markets and social development across the Arab States, through the preparation of periodic, indicator-based reports that highlight

progress made and existing challenges in the areas of employment, decent work, social protection, and social dialogue. By further developing this role, the Organization can leverage advanced digital and analytical tools to support data presentation and interpretation, thereby assisting policymakers in regular monitoring and reinforcing a culture of evidence-based policymaking.

Second: Capacity Building and Institutional Technical Support

The Arab Labor Organization continues to play a central role in building the institutional capacities of Member States by providing technical and advisory support to modernize and develop labor legislation, strengthen employment and labor market policies, and develop social insurance and social protection systems, drawing on Arab labor standards and accumulated experience in the Arab and regional contexts.

In this regard, Arab Labor Conventions and Recommendations constitute a normative, legislative, and policy reference framework to guide Member States, including the most recent normative instruments issued, such as Arab Labor Convention No. (21) concerning Vocational Guidance and Training (Revised), Arab Labor Convention No. (20), and Arab Labor Recommendation No. (10) concerning New Forms of Work (2024).

The Organization also plays a supporting role in reviewing national legislation through its specialized technical mechanisms, including the Committee of Legal Experts, to assess the extent to which such legislation is aligned with Arab labor standards, identify legislative and regulatory gaps, and propose pathways for addressing them in a manner that reinforces the principles of justice and equity in employment, wages, and terms and conditions of work.

This support also extends to the development of policies and programmes that promote inclusive social protection, with particular attention to the most vulnerable groups, especially workers in the informal economy. The Organization also supports Member States' efforts to eliminate child labor, particularly its worst forms, and to facilitate the integration of affected children into basic and technical education and vocational training, in line with the objectives of inclusive development.

At the same time, the Organization places strengthening the principles of equality and non-discrimination in employment and occupation among its priorities for technical support. This includes assisting Member States in formulating relevant strategies, policies, and programmes; developing interventions that promote women's economic empowerment and increase their participation in the labor market; advancing the principle of equal pay for work of equal value; and ensuring safe and healthy working environments through the Arab Women's Labor Affairs Committee.

To support Arab States in advancing these priorities, the Organization prepares periodic reports on employment and unemployment, while also developing guidelines and reference policy frameworks that can be adapted to national contexts. This helps support the design and implementation of realistic reforms through a gradual and

balanced approach that takes into account national priorities and implementation capacities, contributes to narrowing capacity gaps, and strengthens consistency in policy quality across the Arab region.

Third: Strengthening Social Dialogue and Supporting Social Partners

Building on its tripartite structure (governments—employers—workers), the Arab Labor Organization plays a central role in strengthening and institutionalizing social dialogue as a means of building a new Arab social contract that balances the requirements of economic growth with those of social justice and contributes to fostering stability in labor markets. In this context, the Organization works to activate dialogue mechanisms as a permanent institutional framework for consultation and consensus-building on public policies, as well as for monitoring their implementation and assessing their impact, thereby strengthening mutual trust and social consensus around reform priorities.

The Organization also plays a facilitative and coordinating role in supporting consultation and dialogue platforms and providing procedural frameworks and reference standards that contribute to addressing contentious issues in labor relations through institutional mechanisms. At the same time, it works to safeguard workers' rights and improve terms and conditions of work in accordance with the principles of decent work, foster an enabling environment for investment and production, and strengthen Arab solidarity and the exchange of experiences in managing transformations in the world of work.

Fourth: Developing an Innovative, Knowledge-Based, and Foresight-Oriented Role

With its accumulated expertise, reports, studies, and data, the Arab Labor Organization can further consolidate its position as an Arab and regional knowledge centre on the future of work by developing and producing foresight studies addressing technological transformations, digitalization, and artificial intelligence, and assessing their implications for skills, employment, and social protection in the Arab context. This innovative knowledge-based role represents a logical extension of its normative and coordinating functions and contributes to providing Member States with analytical tools to prepare for forthcoming transformations.

Through this pathway, the Organization can provide Member States with insights into labor market trends, skills gaps, the susceptibility of occupations to automation, and shifts in employment patterns, alongside alternative scenarios and practical recommendations to help governments and social partners move from crisis management towards proactive planning. This would also contribute to guiding investment in human capital, updating training systems, and adapting social protection systems, thereby ensuring greater preparedness for forthcoming transformations.

Fifth: Aligning Arab Efforts with the Global Development Agenda

The Arab Labor Organization works to strengthen the coherence of Arab efforts with the Sustainable Development Goals and relevant international frameworks, particularly with regard to decent work and social justice, ensuring that national policies and programmes reflect the region's priorities and specific development contexts. In coordination with the League of Arab States and regional and international partners, the Organization also contributes to shaping a coordinated Arab position and communicating it effectively in regional and international forums. This strengthens Arab engagement in shaping labor and development agendas and enhances the capacity to mobilize international support in a manner that serves the priorities of Member States and accelerates progress towards their objectives.

At the heart of this role is the importance of supporting priority Arab issues, foremost among them the issue of Palestine, as a development, human rights, and labor issue directly linked to the principles of social justice and decent work. In this context, the Organization continues to prepare an annual report documenting the impact of settlements and violations on the situation of workers and employers in Palestine and the occupied Arab territories, and to organize solidarity events in support of the workers and people of Palestine and the other occupied Arab territories (the Syrian Golan and southern Lebanon) on the margins of the International Labor Conference. It also contributes to mobilizing Arab and international support for the Palestinian Employment Fund, thereby strengthening economic and social resilience in the State of Palestine.

These efforts complement the orientations of the **“Arab Vision 2045: Towards Realizing Hope through Thought, Will and Action,”** which seeks to establish a long-term Arab development pathway based on security and safety, social justice, a knowledge-based economy, and policy integration. In this context, the Arab Labor Organization, in partnership with the General Secretariat of the League of Arab States and Arab joint action organizations, and in cooperation with ESCWA, contributes to aligning Arab programmes with international development pathways, developing multilateral partnerships, and strengthening the capacity of Arab States to translate global commitments into national priorities, thereby ensuring tangible and sustainable development impact.

Conclusion

The future of sustainable growth in the Arab region depends on the choices and policies adopted today across the economic, social, and environmental spheres, as well as on the ability of all stakeholders to translate visions into actionable pathways and programmes. This report has provided an in-depth assessment of the structural challenges facing Arab economies and societies, while also highlighting realistic opportunities to move towards a more balanced, inclusive, and sustainable development model. However, the value of any vision, however sound, can only be fully realized

when it is translated into effective national, Arab, and regional commitment and concrete action on the ground.

This objective can be achieved by implementing the recommendations set out in the report, integrating them into national and sectoral strategies, and linking them to clear frameworks for monitoring, evaluation, and accountability, supported by time-bound targets and performance indicators that enable progress to be tracked and corrective action to be taken. The next phase requires moving from diagnosis and planning to effective implementation, ensuring tangible results in terms of employment opportunities, the quality of services, living standards, and trust between the State and society.

In this context, the importance of institutional coherence within each State is underscored by strengthening coordination among government entities, ensuring policy integration across the economic, social, and environmental spheres, and activating mechanisms for consultation with social partners, thereby enhancing the effectiveness of development interventions and maximizing their impact. Sustainable investment in human capital, the development of labor markets, and the promotion of productivity and innovation are also essential pillars for achieving economic growth capable of generating decent work opportunities, expanding opportunities for those most in need, and ensuring a fair distribution of the benefits of growth.

Comparative experience confirms that narrowing the gap between traditional growth models and the requirements of the future economy requires evidence-based policies, coherent reforms that take national contexts into account, and a long-term approach that balances ambition with available capacities and relies on " **incremental improvement** ", translating general principles into policies and programmes that can be measured and evaluated. The success of the desired transformation is also linked to countries' ability to mobilize resources fairly and sustainably, direct them towards clear priorities, and strengthen good governance to ensure transparency, effective performance, and the reduction of waste.

In conclusion, this report provides the tripartite constituents and policymakers with a practical framework that can serve as a basis for supporting reform and development efforts, while emphasizing the need to adapt its recommendations to national contexts and specificities and to ensure their sustainability over the medium and long term. In doing so, people become the central focus and ultimate objective of development, while current challenges are transformed into genuine opportunities for more inclusive and sustainable economic and social advancement across the Arab countries.