Monitoring Income Policies: the Mediterranean Case

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Abstract

Among economic indicators, the understanding of income available to local populations is crucial to evaluate policies, even if measurements on the field are difficult and territorial disaggregated data are scarce. Policy makers would like to have income statistics to monitor the evolution of the differences in different geographical areas for policy planning and to evaluate the effectiveness of their interventions. In this respect, territorial classifications play a critical role to include the space dimension in official statistics. Data are available only at main administrative levels. Several attempts have been done to include further territorial areas, for example the rural-urban dimension, based on statistical criteria. In this paper, the evolution of income in the Mediterranean area during the last decade will be studied at territorial disaggregated level and analysis will be performed to evaluate both determinants and development policies.

Keywords

Income distribution, Regional policies, Mediterranean area, territorial classification, sustainable development

1. Introduction

The Mediterranean region is an interesting case to study income distribution and data availability due to the homogeneity in geographical terms, at one hand, and the huge economic differences to the other (Pizzoli at al, 2008; Daniele at al, 2016).

A first study has been done with reference year 2006. Based on the same administrative framework for 2006 and newly available data, the same analysis will be replicated to understand the economic developments after a decade and the statistical evolution in terms of data availability on this topic.

2. Some methodological and data issues

Two challenging issues have to be met before to extract the data from the databases and perform the statistical analyses. First, the administrative - statistical level of subdivision available and so the data disaggregation reachable at regional level. Second, the statistical indicators theoretically needed with respect to the data available in practice.

The same disaggregation level used for 2006 analysis will be used to guarantee time comparability of the data (Pizzoli et al, 2009). The Mediterranean area is politically subdivided in 24 countries: 8 members of European Union (EU), 4 countries with an ongoing process of entrance into EU, 2 city-states (Gibraltar and Monaco), 9 members of the Arab League (even if Syria has been suspended in 2011) and 2 areas with a limited political status: North Cyprus, recognized only from Turkey, and Palestinian territories occupied by Israel.

A further statistical difficulty on this area is the political instability of several countries in the southern Mediterranean that introduces uncertainty and volatility the indicators.

After ten year better indicators have been designed at international level that could make more effective the economic analysis. Unfortunately the real data in the available are still scares and key indicators are not produced for all the countries.

The Gini index and other indicators on income distribution over minim and maximum levels of incomes are available at UN level. The modal and medial values of the income distribution are unavailable and the limited data available on the asymmetry and dispersion suggest that they should be quite far away from the published average standard values. This implies that these results should be used with caution.

Per capita GDP indicators are available for almost all the 24 countries from several sources: World Bank, FAO, Eurostat and CIA.

3. Income comparison in 2006

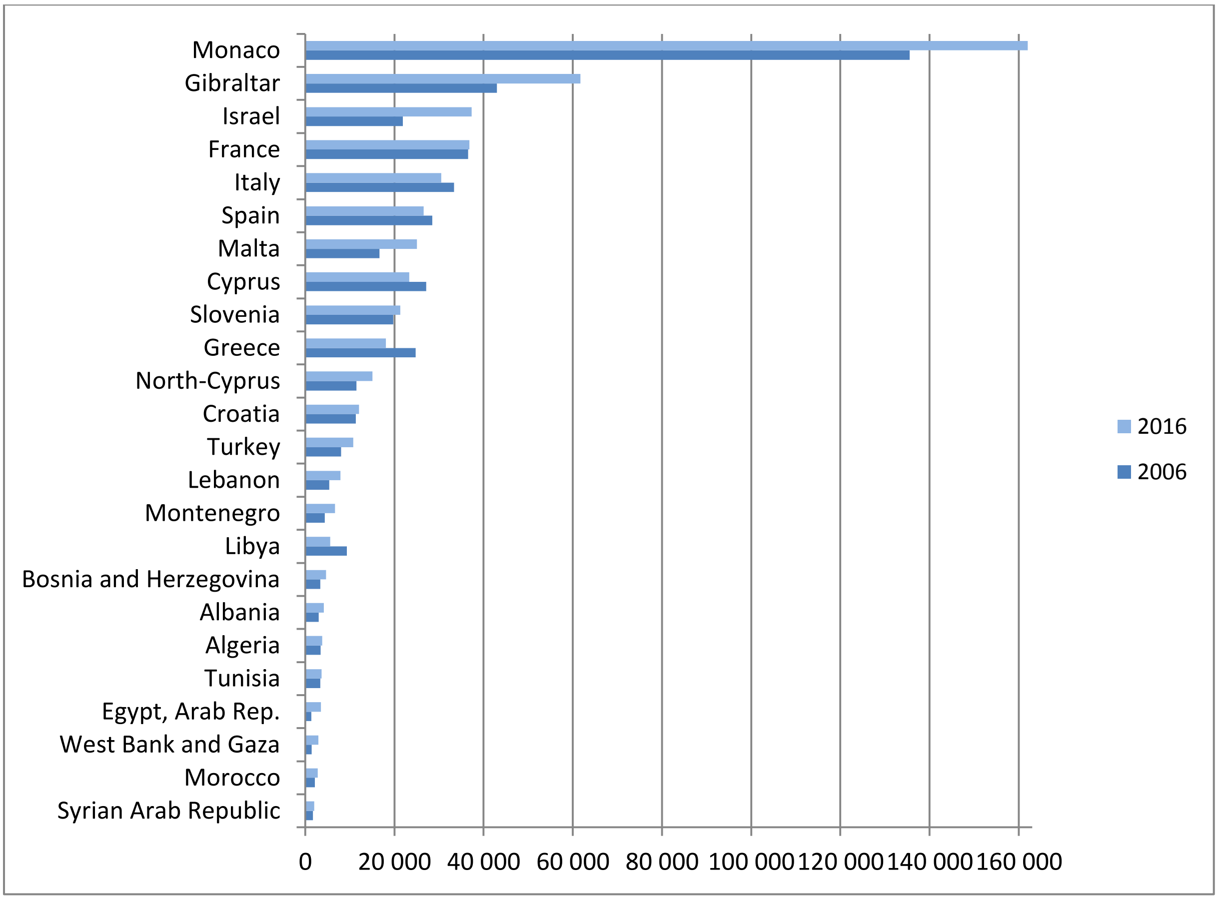
In 2006 it was evident the huge economic differences in the region. We moved from 135,535 Dollars of Per capita GDP in Monaco to 1,441 Dollars in West Bank and Gaza (note that the data this data is available for the whole Palestinian state but Gaza is in a worst economic condition) (Pizzoli at al, 2009).

Two relatively higher populated and poor countries emerged from the analysis: Egypt and Syria. As expected, north Mediterranean countries, joined in the EU, are economically better off than the southern ones in this region (Pizzoli et al, 2008).

4. Income comparison 10 years later

In 2016, after a decade, income distribution seems to be slightly changed over the region:

Fig. 1 - GDP per capita in the Mediterranean area ($)



Source: WB, CIA

The dis-equality and dispersion in the distribution is increased in the region. This is evident in the Figure and is highlighted by any dispersion indicator (for example, standard deviation increased +20%). The richest countries became richer: mainly Monaco, Gibraltar and Israel.

North-east Mediterranean Balkan countries, linked to north-EU countries (mainly to the German economy) improved their condition: Slovenia, Croatia, Bosnia-Herzegovina, Albania and Montenegro.

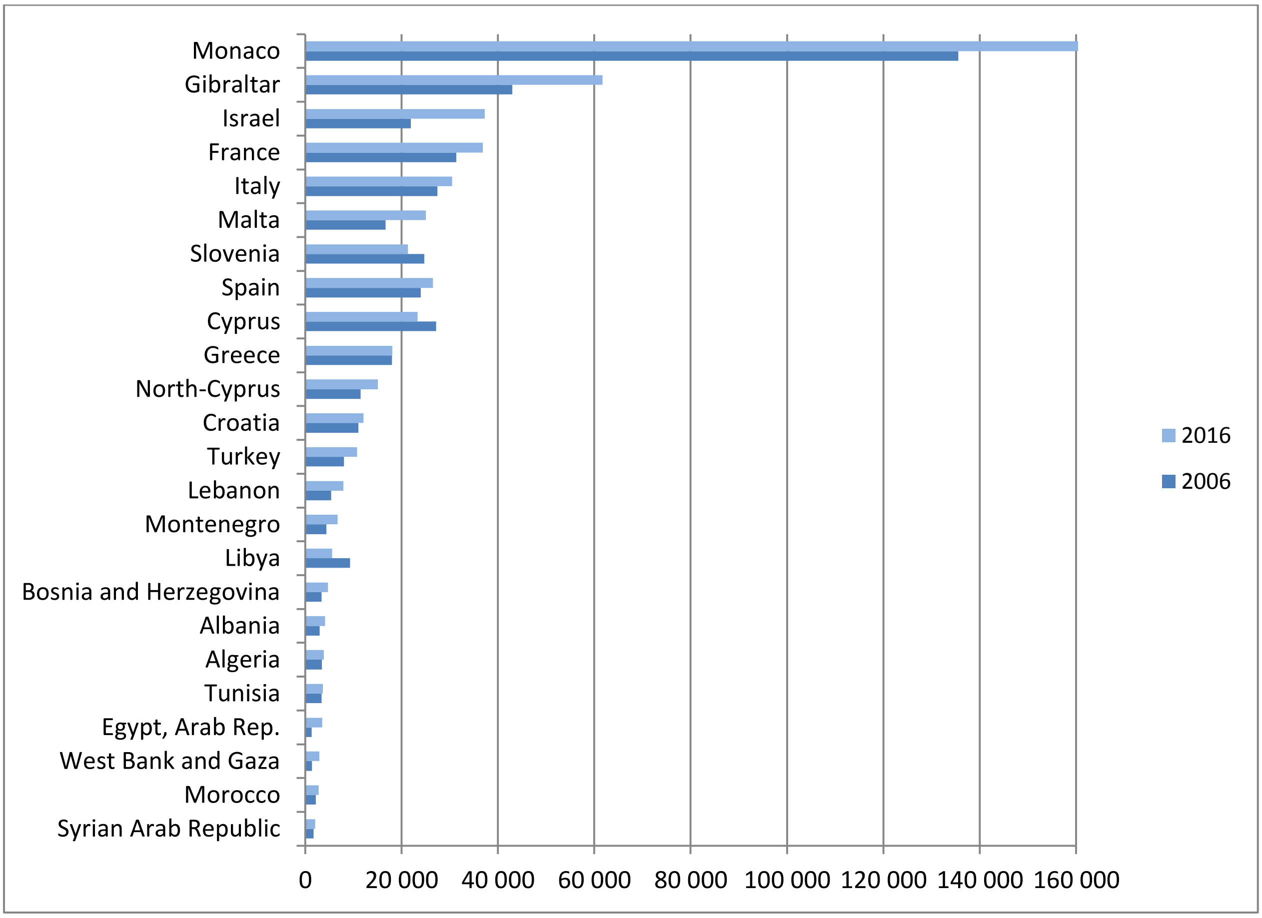
There is still a great difference between north Mediterranean countries (EU) and south Mediterranean countries (north-Africa, Meddle-East, Anatolia and south-Balkan). There is still a very low per capita GDP in big populated countries: Egypt and Syria. The war in Syria has surely worsened the economic situation.

There is a general slow-down in the growth of southern EU countries: Spain, Italy, Greece and Cyprus (average -14% of per capita GDP).

Civil wars and political instability has dramatically worsened the economy in Libya (-40% of per capita GDP).

Disaggregating EU countries at NUTS2 level and including only the regions on the Mediterranean sea, the previous distribution slightly changes:

Fig. 2 - GDP per capita in the Mediterranean area ($)

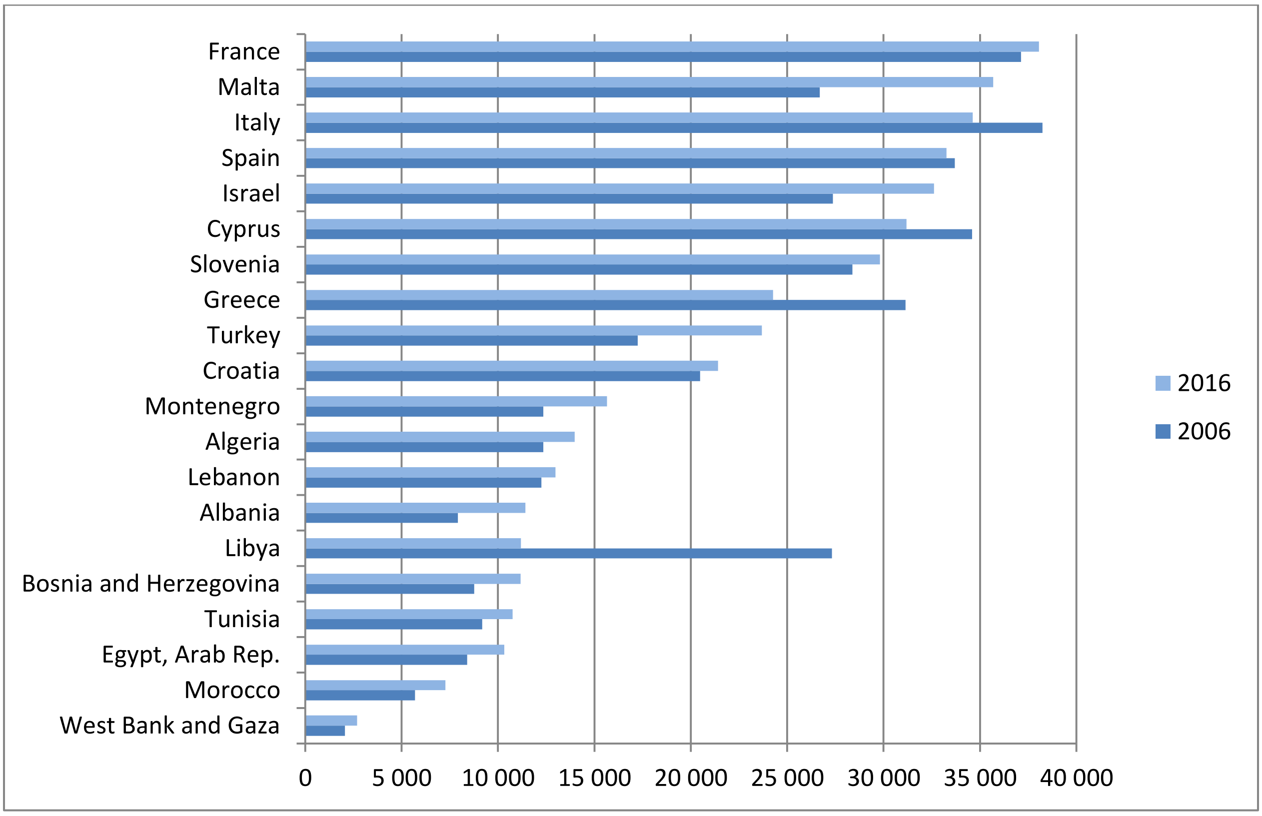


Source: WB, Eurostat, CIA

The only difference is that in the center-south Italian regions and the other southern EU regions improved their economic conditions (in contrast to the rest of these countries' regions).

To correct the possible distortion in the comparison of GDP among the countries and over time, induced by the use of nominal values, the GDP per capita based on Purchasing Power Parity (PPP) at constant prices is considered. Unfortunately the data are not available for all the countries.

Fig. 3 – GDP per capita at PPP (constant 2011 international $)



Source: WB

The deterioration of the worse-off countries is more evident: Italy, Cyprus and Greece (-14% average); Libya has a collapse of the economy (-59%).

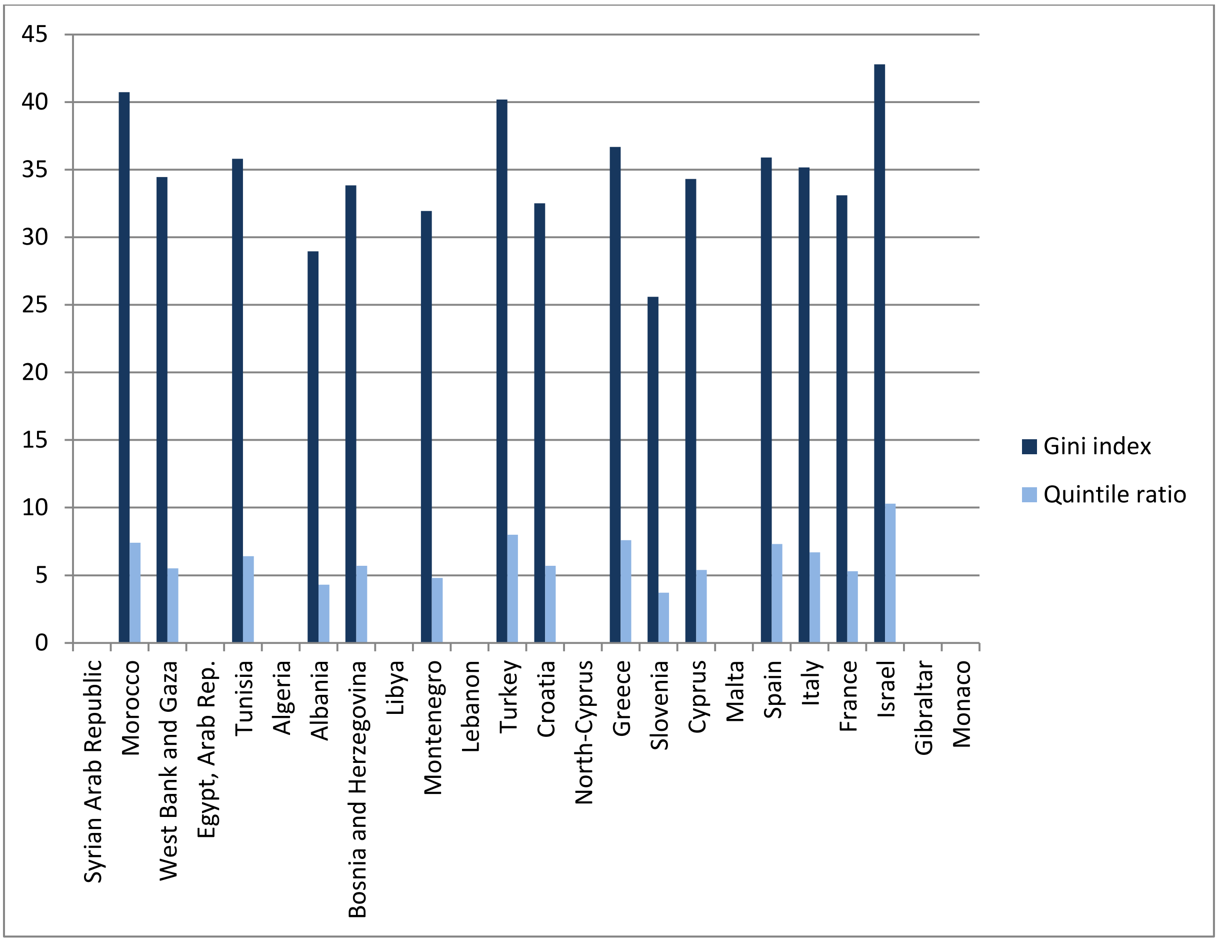
Some of the countries seem to be better-off: Malta, Israel, Turkey, Montenegro and Albania.

5. Income inequality across households

The unequal distribution of GDP across the countries in the region is worsened by the expected inequality of distribution of income across households in the same countries. Many studies are available on poverty and households surveys' data but data are still scarce.

Two key indicators are reported below for the available countries:

Fig. 4 - Gini index and Quintile Ratio (years 2010-2015)



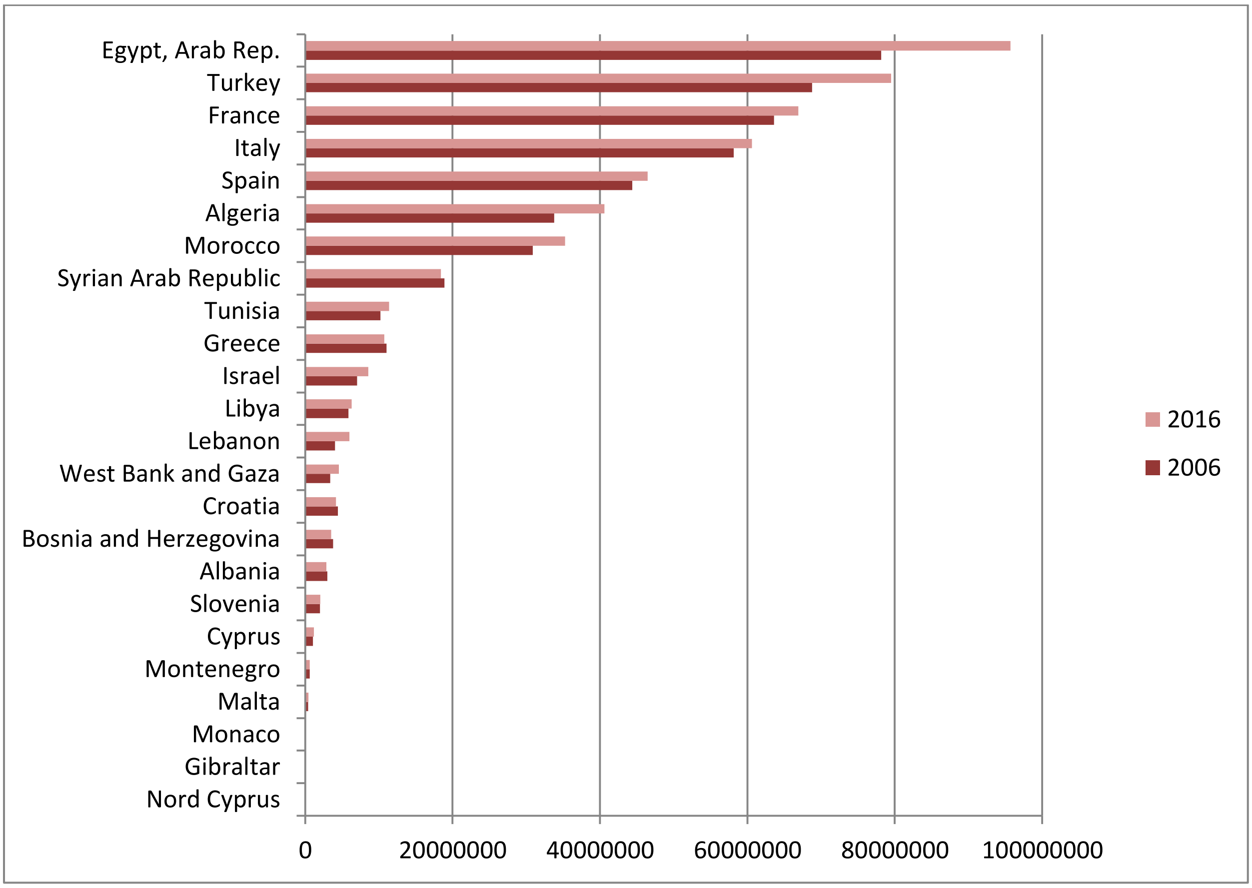
Source: WB, UNDEP

Last human development report by UN presents an unequal distribution in the region that seems not much related to per capita GDP distribution (UNDP, 2016). In relative terms, Israel, Turkey and Morocco present the higher dis-equality of income (Gini coefficient over 40%).

6. Population and resources in the area

The countries in the Mediterranean region are high different in terms of population dimension:

Fig. 5 – Population



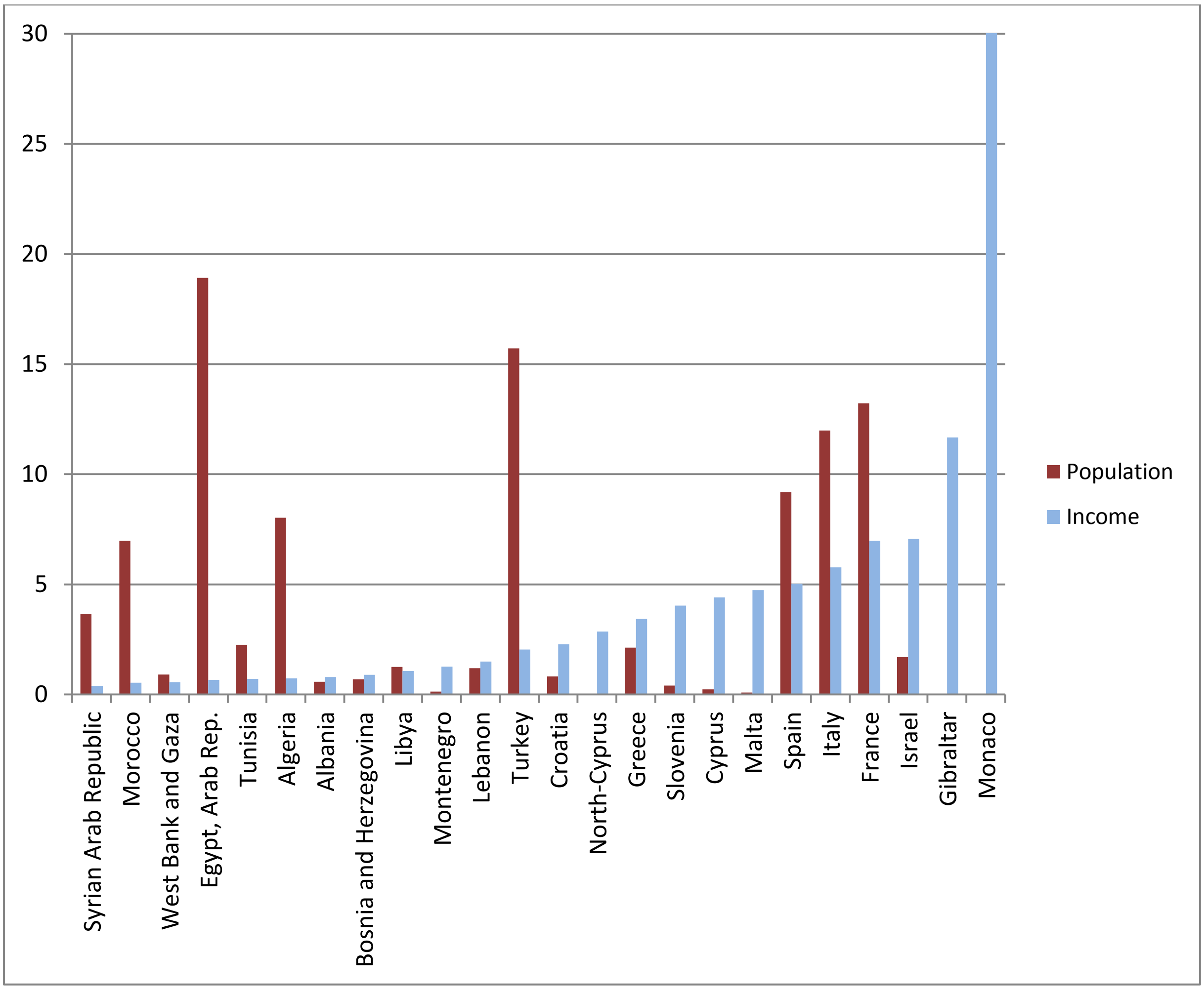
Source: WB, UNDEP

The two mostly populated countries in the region are low level per capita GDP and their population increased more than the others in the last 10 years (about +20%): Egypt and Turkey.

Population increased also in populated richer countries (average +5%): France, Italy and Spain.

It is interesting to compare the population distribution with respect to the per capital GDP distribution.

Fig. 6 - GDP per capita ($) with respect to population distribution (2016) (%)



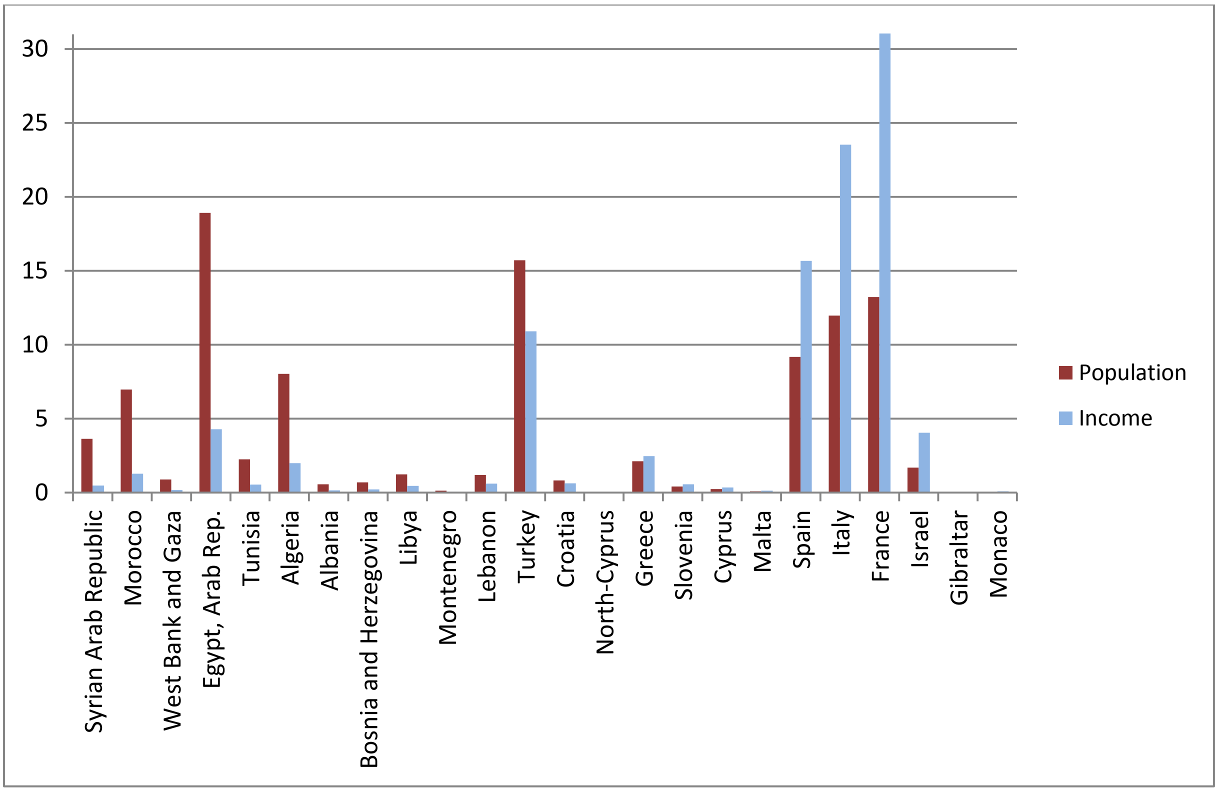
Source: WB, CIA

Among the low per capita GDP countries (left end side on the figure) it is evident that there are high populated countries: already mentioned Egypt and Turkey, but also Algeria, Morocco and Syria.

Among the high per capita GDP countries (right end side on the figure) there are low populated countries: Monaco, Gibraltar and Israel.

If the absolute level of economic resources (total GDP) and population are considered, the previous distributions over the countries (ordered in the same way as before, that is in per capita GDP level), are the following:

Fig. 7 – Total GDP and population distribution (2016) (%)



Source: WB, CIA

Most of the economic resources in the area are concentrated in 3 EU countries: France, Italy and Spain (71%) with a relevant proportion of the population (34%). Turkey has also a high proportion of resources and population (11% of GDP for 16% of population).

Egypt with 19% of the population of the area has only 4% of the GDP resources.

Altogether, Egypt, Algeria, Morocco and Syria have 38% of the population of the area and 8% of the GDP resources.

7. Conclusions

After 10 years, from 2006 to 2016, the availability of statistical data on income and income distribution for this critical region is still unsatisfactory.

Despite progress in the last decade, the challenges of measuring poverty remain. The timeliness, frequency, quality, and comparability of household data need to increase substantially, particularly in the poorest countries, in the southern Mediterranean. The availability and quality of poverty monitoring data remains low in critical states, countries with fragile situations, and low-income countries but also in some middle and high income countries. The low frequency and lack of

comparability of the data available in some countries create uncertainty over the magnitude of poverty reduction (UN, 2016).

Based on the data available, the economic disequilibrium of the region is increased. The flow of resources is concentrated in the EU north-Mediterranean countries (France, Italy and Spain). Geographically small and low populated countries have very high per capita GDP (Monaco, Gibraltar and Israel). Some critical high populated countries have a low per capita GDP and progresses are slow (Egypt, Turkey, Algeria and Morocco). Two countries had a collapse of the economy after civil wars (Syria and Libya).

There is also an unequal distribution of income in most of the countries, even if still limited measured, that worse-off the disequilibrium in the area. For some of the countries this issue is higher (Israel, Turkey and Morocco).

Globally, GDP increased (+15.6% nominal, +2,7% PPP) together with an increasing population (+11,5%) but per capita GDP performance is not satisfactory (+2.1% nominal, -6.1% PPP).

The overall evaluation of the development policy for the area in the last decade is negative, with a failure of the policymaker's actions and insufficient economic agreements (see also Tirkides at al, 2011). More and better statistical data could allow to analyses deeply the determinants and actions needed in the future.

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