MENA External Affairs (MNAEX)\(^1\)

**Introduction:** The process of political change and transition across much of the Middle East and North Africa (MENA) continued into 2013, with a great degree of heterogeneity across countries. Violence in Syria has escalated, with spillover effects to Lebanon and Jordan. Security in Yemen is fragile but a national dialogue has started which includes the drafting of a new constitution in advance of national elections. In MENA’s transitioning countries drafting of new constitutions remains a critical pending issue. Citizens have not been silent. Their voices continue to be heard across the region calling for greater public participation and open government.

In the tumult of the transition process, public expectation are high and maintaining the stability needed to allow the transitions to succeed will depend in large part on the ability of new governments to deliver significant improvements in the lives of their citizens. Creating the right environment for growth will be critical as only growth can drive job creation for the large numbers of unemployed, especially young people and women. Recent political changes will only be meaningful if they lead to concrete social and economic improvements, but to date few election promises have translated into effective policies and outcomes.

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\(^1\) This MENA K&L Quick Note is based on the Regional Brief prepared by MNAEX for the April 2013 IMF and World Bank Spring Meetings.

**A Backgrounder on MENA:** MENA has a population of 355 million, with 85 percent living in middle-income countries, eight percent in high-income countries and seven percent in low-income countries. The MENA region came into the Arab Spring with multiple strengths: a young and educated population; a strong resource base and economic resilience that helped it weather the 2008/9 global financial crisis. Economies across the region were rebounding. Tunisia and Egypt had strong reserve cushions and had benefitted from tourism and foreign direct investment flows. Absolute poverty was low with approximately four percent of the population living under US$1.25 a day. But the benefits of growth were not shared equally, and systems in which economic opportunities were monopolized by a privileged few led to social frustration and widespread protests.

**2013 Growth Prospects:** In 2013, growth in MENA is expected to slow to 3.8 percent from 6.4 percent in 2012, when the region was recovering from the political turmoil of 2011. The growth deceleration into 2013 largely reflects a return to more sustainable growth in some oil exporting countries. Egypt’s growth will weaken relative to 2012, but growth of all other oil importers will likely accelerate relative to 2012. In the short run, weakened macroeconomic fundamentals in MENA’s developing economies are a key challenge. Fiscal vulnerabilities have increased, reflecting sustained, high public spending in response to political upheaval. External deficits have
widened and currencies have weakened, despite moves by governments to avoid currency depreciation by drawing down on foreign exchange reserves. In the longer term, MENA countries still face the structural problems that predate the ‘Arab Spring.’

The region’s main challenge is to create sustainable growth that delivers the quantity and quality of jobs needed. An inclusive and competitive private sector has proven to be one of the most effective and long-term solutions for unemployment, and will be critical in tackling the scale of the problem in MENA.

**Regional Strategy:** In response to the changing political climate in the region, the World Bank Group has developed a new framework for engagement. Along with listening to new governments to build programs of support that meet their specific development goals, the Bank has also expanded its consultations to include a broad range of stakeholders across civil society whose voices were less accessible under earlier regimes. Building on the demands of the Arab Spring and the reform efforts underway, the new framework is based on four main pillars:

- Strengthening Governance through transparency and accountability measures to help create responsive states that are held accountable for their actions;

- Increasing Social and Economic Inclusion of disadvantaged groups through economic measures and enhanced voice and participation (e.g. women and minority groups);

- Creating Jobs, including for youth and women, by providing an enabling environment for opportunity, competition, innovation and entrepreneurship; and

- Accelerating Sustainable Growth through short and long-term policy actions promoting climate-friendly growth to manage stresses on natural resources.

These are complemented with a focus on the cross-cutting themes of Gender, Regional Integration, and fostering a Competitive Private Sector.

**Building a Knowledge Base for the Transition:** A number of reports were produced to assist governments in meeting the defining challenges the region faces during the current period of transition. *Jobs for Shared Prosperity: Time for action in MENA* focuses on the reforms needed to stimulate growth and the jobs that come with it, as well as creating a clear path from school to work. *The Way Forward for Social Safety Nets in MENA* offers guidelines for shifting limited public funds away from expensive and ineffective universal subsidies toward systems of targeted cash transfers that better protect the poor, and ultimately help them climb out of poverty. *Opening Doors: Gender Equality and Development in MENA* provides policy proposals for removing the obstacles that have produced the world's lowest rate of female participation in the labor force. *From Political to Economic Awakening in the Arab World* is directed at both MENA countries and external partners, with an analysis of how the latter can support the political and economic transformations underway in the region. *Natural Resource Abundance, Growth, and Diversification in MENA* investigates how the region can overcome dependence on oil which represents close to 85 percent of merchandise exports and encourage greater economic diversification. These were complemented by a range of other reports tackling critical issues such as adaptation to climate change and managing the rapid growth of the region's cities.

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2 All the documents referenced here can be accessed by using the search function at worldbank.org
Individual strategies and programs developed for the different countries of the region were each designed to meet the specific needs of World Bank clients including oil importers, non-GCC oil exporters, the technical assistance needs of the GCC countries and support to the Palestinian territories.

Recent IBRD/IDA Financial Support to the Region: IBRD/IDA lending decreased from US$2 billion in FY11 to US$1.79 billion in FY12 as political circumstances slowed World Bank programs in the region. FY 13 lending is expected to be $2.7 billion of which $2.45 billion from the IBRD and $250 million from IDA. As of April 2013, the International Development Association (IDA), the Bank’s fund for the poorest countries, current active commitment to Djibouti is US$52 million, and to Yemen, US$911 million. High-value knowledge services to MENA increased from US$8 million in FY11 to a projected $14.5 million in FY13. The number of non-lending economic analytic and advisory products also increased from approximately 120 in FY11 to more than 140 in FY12.

Results in MENA

Exchanging Ideas, Searching for Solutions: In January 2012, MENA Vice President Inger Andersen hosted a ‘live chat’ on how to reform education and foster political freedom while maintaining stability. The second online discussion was held in September 2012 and focused on jobs in the region. The most recent online chat in March 2013 was held in honor of international women’s day and focused on what’s holding women back from economic empowerment in the region. This ongoing dialogue has continued via the MENA Blog and Facebook platforms.

The Affiliated Network for Social Accountability-Arab World (ANSA-AW) launched in March 2012 has established a transparently-elected governance structure and activated country advisory teams. The teams include civil society, media, private sector and government representatives to inform the four strategic pillars of the network, Access to Information, Service Delivery, Budget Transparency and Freedom of Associations. To date, ANSA-Arab World’s Facebook Page has 10,000 users and "Friends of Fans' numbers has reached 208,002.

Results from Financial Support: The World Bank and our partners have a diverse loan portfolio. Here are just a few examples of results since 2011:

Support to poor and vulnerable citizens: US$100 million in support of Morocco’s Human Development program benefitted five million people in underdeveloped regions through 22,000 sub-projects, with over half the income-generating projects focused on women.

Private Sector Development: Through the Enhancing Access to Finance for Micro and Small Enterprises, a US$300 million investment loan to Egypt has started to show results with an initial 4,000 micro and small enterprises in Egypt benefitting from expanded access to credit, including 1,000 rural women who now have finance to develop their businesses.

Gender: a US$1 million pilot project in Jordan, New Opportunities for Women (NOW), tested options for the school to work transition for 673 young female graduates who received either training or job vouchers as part of the financial incentives and skills training program.

Renewable Energy: An integrated Solar Combined Cycle (ISCC) power plant in Kureimat became fully operational at the end of June 2011, and has since increased the share of solar-based electricity generation in Egypt by 20 megawatts (MW). The El Kureimat Solar Thermal Power Plant had a total project cost of US$328 million and included a Global
Environmental Facility (GEF)\(^3\) grant of $US$50 million.

**Governance:** A US$ 500 million loan to Tunisia supported the enactment of reforms to lift restrictions on information and promote increased transparency and accountability. Tunisian web sites have increased by 33 percent and previously unavailable data is now being made publicly available.

**Youth:** The Jordan Mainstreaming At Risk Youth program funded through a grant from the Japan Social Development Fund ensured that 100,000 school dropouts in Jordan went back to school and 12,000 at-risk youth received mentoring while 2,500 volunteers have been trained to help.

**Urban Transport:** The US$115 million (US$65 million from the IBRD) Urban Transport Development Project has meant that 1.3 million people in Beirut have an improved traffic control system, reduced congestion on major corridors, and on-street parking management, all targeting lost productivity and deteriorating air quality.

**Partners:** The World Bank Group stepped up its partnerships with bilateral and multilateral donors, regional development banks, Islamic financial institutions and emerging country donors. For example the MENA Transition Fund\(^4\) focuses on improving the lives of citizens in transition countries, and supports the transformation currently underway in several countries in the region by providing grants for technical cooperation to strengthen governance and public institutions, and foster sustainable and inclusive economic growth by advancing country-led policy and institutional reforms. Donors to this $176 million facility include the US, Saudi Arabia, the UK, Canada, France, Japan, Kuwait, Russia, Qatar, Turkey and the United Arab Emirates. The MENA Multi Donor Trust Fund (MDTF), established in 2012 is a World Bank administered technical assistance facility which provides catalytic support to countries in the MENA region that are currently undergoing historic transition and reform. Aside from the World Bank, funding is provided by Denmark, Finland, Norway and the UK.

Less traditional partnerships are just as crucial. One of the sharp lessons of the recent political awakening has been the urgent need to reach out more consistently and consult across a wide spectrum of civil society, including, among others, academics, NGOs, unions and the private sector. The World Bank is taking advantage of this new space for broader engagement with the conviction that MENA countries cannot be successful without good governance and the participation of its citizens; development is richer and more sustainable if everyone feels they have a say and a stake.

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\(^3\) For more go to thegef.org

\(^4\) For more go to Menatransitionfund.org