

Growth in the Middle East and North Africa was robust in 2006, with real GDP rising 6.3 percent. This extraordinary growth—the strongest in more than 10 years—occurred despite the difficult conditions affecting many countries, particularly the conflict-affected areas of Iraq, Lebanon, and the West Bank and Gaza. Strong oil revenues and the ongoing European recovery provided the momentum for growth, allowing per capita GDP to rise 4.2 percent despite large increases in the population. Sustaining growth at current rates will depend primarily on advances in the structural reform agenda and on a more even distribution of resources to reduce the high vulnerability to poverty.

The overall environment for business in the region improved during fiscal 2007 as a result of reforms undertaken in several countries, including the Arab Republic of Egypt, Jordan, and Morocco. Despite some initial steps toward public administration and civil service reforms, however, governance remains a challenge, and the participation of civil society, including parliamentarians, remains weak.

Job creation in the private sector is increasing, but large differences exist across the region, with unemployment

declining in some countries and rising in others. Women and youth continue to be overrepresented among the unemployed. Employment rates for women and youth average about 47 percent, the lowest in the world (box 2.5).

WORLD BANK ASSISTANCE

The World Bank approved nearly \$692 million in IBRD loans and \$216 million in IDA commitments for the region. In addition, the Bank provided \$85 million in special financing to Lebanon and to the West Bank and Gaza; Iraq received \$100.5 million in grants from the Iraq Trust Fund. Knowledge services and policy advice continue to represent a significant portion of the Bank's support for the region. Synergies within the World Bank Group and partnerships with civil society, the private sector, and other development partners continue to play a key role in the Bank's effectiveness.

The Bank's regional strategy addresses five key areas: governance, private sector development, water, education, and inclusion.

MIDDLE EAST AND NORTH AFRICA FAST FACTS

| | |
|--|-------------|
| Total population: | 0.3 billion |
| Population growth: | 1.7% |
| Life expectancy at birth: | 70 years |
| Infant mortality per 1,000 births: | 43 |
| Female youth literacy: | 84% |
| 2006 GNI per capita: | \$2,481 |
| Number of people living with HIV/AIDS: | 0.4 million |

TOTAL FISCAL 2007

New Commitments

IBRD \$692 million
IDA \$216 million

TOTAL FISCAL 2007

Disbursements

IBRD \$1,477 million
IDA \$194 million

Portfolio of projects under implementation as of June 30, 2007: \$6.1 billion

Note: Life expectancy at birth, infant mortality rate per 1,000 live births, and female youth literacy are for 2005; HIV/AIDS data are from the May UNAIDS 2006 Report on the Global AIDS Epidemic; other indicators are for 2006 from the World Development Indicators Database.

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING This section also reports on the West Bank and Gaza.

| | | | | | |
|----------|---------------------------|--------|---------|----------------------|--------------------|
| Algeria | Egypt, Arab Republic of | Iraq | Lebanon | Syrian Arab Republic | Yemen, Republic of |
| Djibouti | Iran, Islamic Republic of | Jordan | Morocco | Tunisia | |

IMPROVING GOVERNANCE

World Bank support to governance and anticorruption programs in fiscal 2007 was \$59.8 million. In addition to lending, governance support was provided through recipient-executed trust funds and reimbursable technical assistance to strengthen public sector management and fiduciary systems in Algeria, Jordan, Lebanon, Morocco, Tunisia, the West Bank and Gaza, and the Republic of Yemen; improve results monitoring in Algeria and Jordan; and build capacity in procurement in Djibouti, Tunisia, and the West Bank and Gaza.

PRIVATE SECTOR DEVELOPMENT

Across the region, the World Bank continued its efforts to improve the investment climate and increase trade competitiveness. In Egypt, Bank-supported reform of the business environment resulted in the creation of a “one-stop shop” at the General Authority for Investment. By bringing together 20 government entities under one roof, the time and cost of obtaining licenses for investment projects is reduced in order to match international best practices and thereby boost investment. The Bank is also supporting the privatization of banks in Egypt. In Morocco, the Bank is supporting financial sector reforms. In the Republic of Yemen, where Bank support encouraged adoption of the Extractive Industries Transparency

Initiative guidelines and enactment of a good-practice procurement law, the Bank is providing technical assistance to strengthen the regulatory framework against corruption.

The Bank is also supporting key infrastructure to enable private sector development, especially in energy. In Morocco, energy sector reform was supported by a \$100 million energy



BOX 2.5

ADDRESSING CHALLENGES AND OPPORTUNITIES ON THE YOUTH AGENDA

About 60 percent of the population in the Middle East and North Africa is under age 24. Despite declining fertility rates, the region will continue to have one of the highest percentages of youth in the world.

The Bank is addressing the challenges and opportunities posed by these demographics in several ways. In fiscal 2007, it completed “Voices of Youth,” which interviewed young people in Egypt, Morocco, the West Bank and Gaza, and the Republic of Yemen. Young people expressed their concerns about the quality of education and training and their rele-

vance to the needs of employers. They also indicated their desire for meaningful political and social participation.

The Bank intensified its efforts to address the needs of youth in a multisectoral manner. In fiscal 2007, its lending program funded projects in Egypt, Jordan, and Tunisia that focused on entrepreneurship, training, employment, and higher education. The Bank is also preparing a youth policy note for the region that identifies current gaps, sets priorities, and makes policy recommendations for mainstreaming the youth agenda across sectors.

FIGURE 2.11

MIDDLE EAST AND NORTH AFRICA

IBRD AND IDA LENDING BY THEME | FISCAL 2007

SHARE OF TOTAL OF \$0.9 BILLION

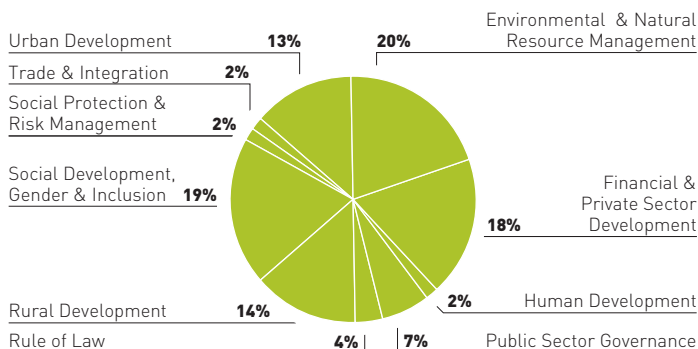
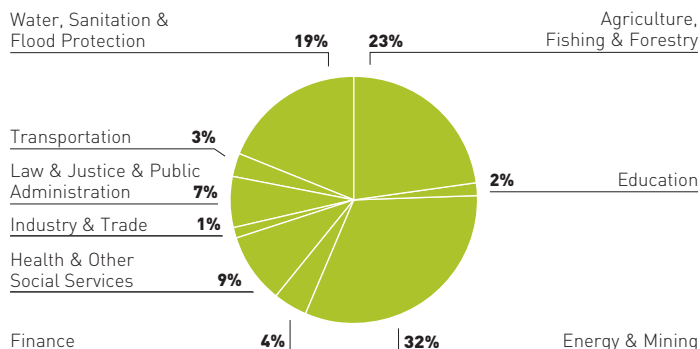


FIGURE 2.12

MIDDLE EAST AND NORTH AFRICA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2007

SHARE OF TOTAL OF \$0.9 BILLION



development policy loan. Iraq’s severe power shortages were addressed by a \$124 million project in the south and a \$40 million hydropower project in the Kurdish region.

STRENGTHENING WATER MANAGEMENT

Private sector participation is one of the main thrusts for World Bank Group assistance in the sector. In Egypt, the \$145 million West Delta project is supporting a partnership alternative with the private sector to manage scarce water resources more efficiently. The Bank is also supporting cross-border cooperation on water management through support to the Nile Basin Initiative, the Arab Water Council, and the Arab Water Management Institute. In February 2007, the Bank released the study *Making the Most of Scarcity*, which emphasizes options for improving water management and services. (See www.worldbank.org/mna.)

EDUCATION AND INCLUSION

The World Bank’s approach in the Middle East and North Africa focuses on empowering communities to play a more effective role in supporting development, particularly women’s economic rights and opportunities. The Bank is financing several community-driven projects, including the Municipal Infrastructure Project in Lebanon and three projects in the

West Bank and Gaza that focus on rehabilitating municipal services, strengthening the capacity of nongovernmental organizations (box 2.6), and empowering community-based networks to support the sustainability of service delivery.

The Bank is providing policy advice to strengthen and improve the targeting of social safety nets in Egypt, the Islamic Republic of Iran, Jordan, the Syrian Arab Republic, and the Republic of Yemen. In Tunisia, the Bank is supporting higher education reform with a \$76 million loan. In Jordan, the World Bank completed the \$34 million Higher Education Development Project to improve the quality, relevance, and efficiency of higher education. In Morocco, the Bank approved a \$100 million IBRD loan to finance the National Initiative for Human Development Support Project, which supports access of vulnerable groups to social and economic services and promotes inclusiveness, accountability, and transparency of local decision-making and implementation processes.

In Egypt, Jordan, and Morocco, the Bank is collaborating with IFC to expand women’s economic opportunities through business networking and training. In Iraq, the Bank is assessing the viability of implementing microfinance initiatives that would benefit and support the needs of households headed by women, particularly low-income women.

BOX 2.6

STRENGTHENING LOCAL NGOs IN THE WEST BANK AND GAZA

As social conditions deteriorated in the West Bank and Gaza, access to critical public services was significantly impacted, and NGOs (nongovernmental organizations) stepped in to meet basic needs. In December 2006, the Executive Directors approved the Third Palestinian NGO Project, continuing the Bank’s decade-long strategic partnership with Palestinian NGOs. The project aims to build the capacity of Palestinian NGOs by focusing on issues of good governance, accountability, and transparency and by helping them empower and

mentor community-based institutions so that these institutions can better respond to the needs of vulnerable groups on a sustainable basis and can become reliable platforms for leveraging funds from other donors. A participatory monitoring and evaluation system is being set up as a critical feature of the project. The system will track and document the flow and use of funds, the efficiency and effectiveness of utilization, responsiveness to priority needs, and the impact on recipients.

TABLE 2.6

WORLD BANK LENDING TO BORROWERS IN THE MIDDLE EAST AND NORTH AFRICA BY THEME AND SECTOR | FISCAL 2002–2007
 MILLIONS OF DOLLARS

| THEME | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|--------------|----------------|----------------|----------------|----------------|--------------|
| Economic Management | 5.0 | 0.0 | 0.0 | 45.8 | 0.0 | 0.0 |
| Environmental and Natural Resource Management | 21.7 | 186.0 | 113.8 | 160.2 | 44.5 | 179.7 |
| Financial and Private Sector Development | 204.1 | 48.3 | 259.3 | 166.6 | 907.8 | 166.7 |
| Human Development | 61.9 | 140.9 | 192.1 | 95.4 | 128.5 | 14.3 |
| Public Sector Governance | 93.3 | 106.6 | 19.6 | 166.0 | 229.0 | 59.8 |
| Rule of Law | 49.1 | 48.0 | 1.7 | 1.8 | 46.9 | 33.0 |
| Rural Development | 14.5 | 100.6 | 65.1 | 155.3 | 177.9 | 126.6 |
| Social Development, Gender, and Inclusion | 13.4 | 63.1 | 70.7 | 123.0 | 67.8 | 174.9 |
| Social Protection and Risk Management | 11.0 | 96.1 | 31.6 | 98.5 | 69.7 | 15.4 |
| Trade and Integration | 24.8 | 3.6 | 158.3 | 0.0 | 0.0 | 16.0 |
| Urban Development | 55.8 | 262.7 | 178.7 | 271.1 | 28.5 | 121.6 |
| Theme Total | 554.5 | 1,056.0 | 1,091.0 | 1,283.6 | 1,700.6 | 907.9 |
| SECTOR | | | | | | |
| Agriculture, Fishing, and Forestry | 2.9 | 196.7 | 27.2 | 229.2 | 15.3 | 208.5 |
| Education | 38.0 | 154.3 | 154.9 | 124.0 | 146.8 | 14.3 |
| Energy and Mining | 1.3 | 0.0 | 0.0 | 0.0 | 316.5 | 291.6 |
| Finance | 110.5 | 1.9 | 20.8 | 142.5 | 625.0 | 39.2 |
| Health and Other Social Services | 41.7 | 124.2 | 52.0 | 0.3 | 0.0 | 84.3 |
| Industry and Trade | 71.7 | 74.3 | 23.4 | 277.9 | 14.0 | 10.3 |
| Information and Communication | 69.9 | 2.3 | 0.0 | 18.5 | 0.0 | 0.0 |
| Law and Justice and Public Administration | 74.7 | 213.6 | 93.6 | 232.9 | 249.2 | 61.9 |
| Transportation | 70.9 | 107.9 | 409.6 | 29.0 | 237.6 | 27.4 |
| Water, Sanitation, and Flood Protection | 73.1 | 180.9 | 309.5 | 229.3 | 96.4 | 170.5 |
| Sector Total | 554.5 | 1,056.0 | 1,091.0 | 1,283.6 | 1,700.6 | 907.9 |
| Of which IBRD | 451.8 | 855.6 | 946.0 | 1,212.1 | 1,333.6 | 691.9 |
| Of which IDA | 102.7 | 200.4 | 145.0 | 71.5 | 367.0 | 216.0 |

Note: Effective fiscal 2005, lending includes guarantees and guarantee facilities.