

MIDDLE EAST AND NORTH AFRICA



Algeria
Djibouti
Egypt, Arab Republic of

Iran, Islamic Republic of
Iraq
Jordan

This section also reports on the West Bank and Gaza.

The Middle East and North Africa is also being adversely affected by the global economic crisis. Real gross domestic product (GDP) is projected to grow just 2.2 percent in 2009, down from 6.2 percent in 2008 and from an average of 5.1 percent during 2000–07. High food and fuel prices stoked consumer price inflation, which rose from 7.2 percent in 2007 to 10.6 percent in 2008.

Banks and investment companies in the region were not large holders of subprime mortgage-backed securities, and many Gulf countries were in a strong enough financial position to cushion the large outflows of short-term capital in the second half of 2008. Nonetheless, the global financial crisis affected the financing outlook in the region. Spreads on sovereign debt increased, regional stock market indices suffered sizable declines, foreign direct investment inflows are expected to weaken, export revenues and tourism and trade-related services are declining, and remittances are expected to contract.

The actual impact of the crisis will vary across the region. Members of the Gulf Cooperation Council—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates—entered the crisis with very strong fiscal and external balances or with a significant financial reserve from revenues during the oil boom. They are in the best position to weather the global economic crisis. Were the price of oil to drop further or the real estate crisis to deepen, even this group of countries could be forced to draw down reserves and cut investments.

Oil-exporting countries with large populations, such as Algeria, the Islamic Republic of Iran, Iraq, Libya, the Syrian Arab Republic, and the Republic of Yemen entered the crisis with weaker fiscal and current account balances than the Gulf Cooperation Council countries. They also have larger social commitments, such as subsidies, which make it difficult for them to reduce expenditures during a downturn. Non-oil exporting countries such as Djibouti, Jordan, and Lebanon, which are economically linked to the Gulf countries, will experience declines in tourism, remittances, and foreign direct investment from the Gulf countries. In addition, some migrant workers may return home, which will add to social pressures. Countries with strong trade links to Europe (Egypt, Morocco, and Tunisia) may suffer more from the crisis than other countries in the region, because lower European demand stifles exports, tourism, remittances, foreign direct investment, and possibly foreign assistance. Job losses by exporters will increase human strife. In the past, these countries have tapped international financial markets to finance their current account deficits—which may be difficult to do in the current environment.

WORLD BANK ASSISTANCE

The World Bank approved \$1.7 billion in financing for the Middle East and North Africa region in fiscal 2009: \$1.6 billion in loans from IBRD and \$172 million in IDA commitments, including \$129 million in grants. The increase in lending was partly in response to the food, fuel, and financial crises.

MIDDLE EAST AND NORTH AFRICA REGIONAL SNAPSHOT

Total population:	0.3 billion
Population growth:	1.8%
Life expectancy at birth:	70 years
Infant mortality per 1,000 births:	32
Female youth literacy:	86%
Number of people living with HIV/AIDS:	210,000
2008 GNI per capita:	\$3,242
GDP per capita index (1998=100):	128

TOTAL FISCAL 2009

New Commitments
IBRD \$1,551 million
IDA \$172 million

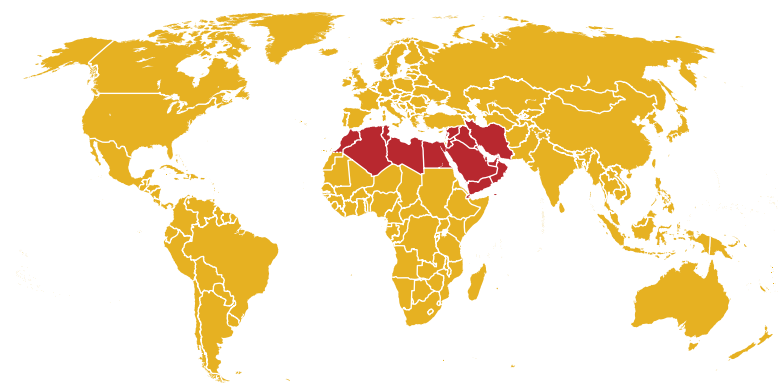
TOTAL FISCAL 2009

Disbursements
IBRD \$1,216 million
IDA \$183 million

Portfolio of projects under implementation as of June 30, 2009: \$6 billion

Note: Life expectancy at birth, infant mortality rate per 1,000 live births, female youth literacy, and people living with HIV/AIDS are for 2007; other indicators are for 2008 from the World Development Indicators database. HIV/AIDS data are from UNAIDS/WHO's 2008 Report on the Global AIDS Epidemic.

Lebanon	Syrian Arab Republic
Libya	Tunisia
Morocco	Yemen, Republic of



The Bank also delivered 37 economic and sector work activities and 74 nonlending technical assistance activities. These activities included the publication of a regional flagship report on private sector development and a regional report on migration; public expenditure reviews for Libya and the Republic of Yemen; and several governance-related reports. Several reports were also initiated in the context of the Arab World Initiative, in areas ranging from regional infrastructure to education and knowledge sharing (see box 1.5, page 18).

REDUCING INFRASTRUCTURE BOTTLENECKS

While addressing the immediate needs associated with the global recession, the Bank's fiscal 2009 program reflects its ongoing focus on long-term growth. Major infrastructure projects were approved for Egypt, Jordan, Lebanon, and Morocco. The Board approved two large loans to Egypt: a \$600 million loan for the Ain Sokhna power project and a \$270 million loan for restructuring Egyptian Railways. The \$70 million Urban Transport Development Project for Lebanon and the \$33 million Amman Development Corridor Project for Jordan focus on removing transport bottlenecks and paving the way for future sustained growth.

IMPROVING PRIVATE SECTOR DEVELOPMENT, COMPETITIVENESS, AND GOVERNANCE

The Middle East and North Africa region faces the challenge of dealing with both the social difficulties brought on by globalization and the challenge of greater competitiveness. The Bank provided Tunisia with a \$250 million loan to increase integration into global markets. In Morocco, the Bank is supporting work that is strengthening the good governance agenda while creating an enabling environment for stability and sustained growth.

Doing business is becoming easier in the region. By the end of fiscal 2008, two-thirds of the region's economies had introduced an impressive total of 27 reforms. For the third time in four years, Egypt, last year's top regional performer, was among the top 10 global reformers. Other reformers in the region included Djibouti, Jordan, Lebanon, Morocco, Oman, Saudi Arabia, Syria, Tunisia, the United Arab Emirates, the West Bank and Gaza, and the Republic of Yemen.

SUPPORTING SUSTAINABLE DEVELOPMENT AND NATURAL RESOURCE MANAGEMENT

Climate change, water stress, and natural resource management are key challenges in the Middle East and North Africa. To deal with them, the Bank provided the Republic of Yemen with \$90 million in support of a water sector program and \$25 million to aid a rural energy project focused on solar energy. To improve solid waste management, the Bank lent \$133 million to Morocco and \$25 million to Jordan. In the aftermath of floods in the Republic of Yemen in October 2008, the Bank helped carry out a needs assessment and stepped up its monitoring programs and policy dialogue to improve the country's preparedness for future crises. In March 2009, the Bank approved \$35 million in additional financing for flood protection and emergency reconstruction. Earlier in fiscal 2009, the Board approved \$15 million in additional financing to promote groundwater and soil conservation in the Republic of Yemen.

EDUCATING YOUNG PEOPLE

A challenge in the education sector in the Middle East and North Africa is providing quality education that prepares the region's young people to compete in the global economy. The \$25 million Higher Education Reform for the Knowledge Economy Project in Jordan focuses on quality and governance issues, and the \$60 million Higher Education Reform for the Knowledge Economy II Project in Jordan builds on these issues and emphasizes the need to provide students enrolled in pretertiary education institutions with increased levels of skills to participate in the knowledge economy.

ASSISTING PEOPLE IN CONFLICT-AFFECTED COUNTRIES

The Bank responded quickly to the conflict in Gaza in fiscal 2009, dispatching an assessment team less than a week after hostilities ceased. A central recommendation emerging from the assessment team's efforts was that the recovery and reconstruction effort be closely linked to ongoing development efforts in Gaza. In practice, this meant continued funding and scaling up of a range of successful donor-financed projects in several key areas, including water and sanitation, electricity, social safety nets, municipal development, and support from nongovernmental organizations. In April 2009, a Bank Group delegation visited Iraq to discuss its investment potential and to support the creation of a healthy business climate.

FIGURE 2.11

MIDDLE EAST AND NORTH AFRICA

IBRD AND IDA LENDING BY THEME | FISCAL 2009
SHARE OF TOTAL OF \$1.7 BILLION

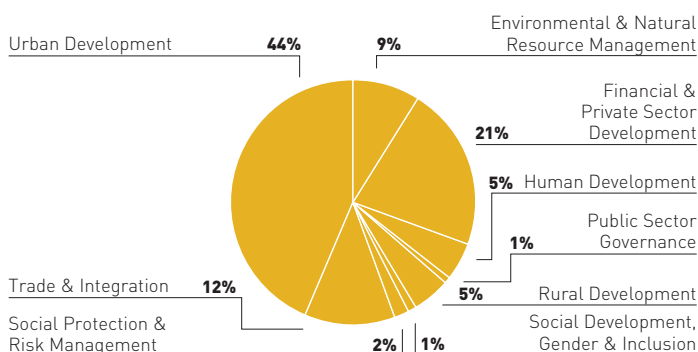
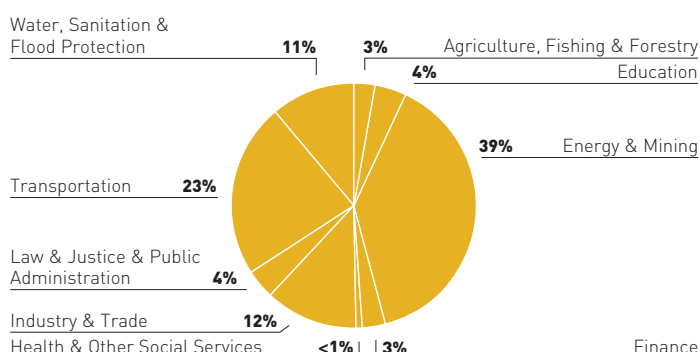


FIGURE 2.12

MIDDLE EAST AND NORTH AFRICA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2009
SHARE OF TOTAL OF \$1.7 BILLION



MAINSTREAMING WOMEN INTO THE ECONOMY

The Bank initiated or delivered a variety of gender studies and programs in the Middle East and North Africa over the course of fiscal 2009. In Egypt, it undertook an assessment of the gender dimensions of labor market access and constraints. In Jordan, the Bank is developing a program to promote labor market access for young female graduates of community colleges. In Saudi Arabia, it is providing assistance to “urban observatories” in Jeddah and Medinah, which are studying female-headed households. In the Republic of Yemen, it is preparing a gender analysis of public expenditures in the health and education sectors. Through an Institutional Development Fund grant, the Bank is supporting a program measuring the impact of national policies and strategies on gender equality.

The Bank delivered a gender assessment of Lebanon, organized a capacity-building workshop on gender budgeting in Morocco, and released the biennial report “Status and Progress of Women in the Middle East and North Africa,” which examines progress in economic participation, access to education, access to health care, public participation and representation, and legal rights.

EXPANDING FEE-BASED PROGRAMS

The list of countries in the Middle East and North Africa requesting fee-based programs expanded to 11 in fiscal 2009. Total revenue from

these programs was about \$11 million, and demand is expected to remain steady in fiscal 2010. The Strategic Cooperation Program with Gulf countries includes programs and services in Bahrain, the Gulf Cooperation Council Secretariat, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. The programs have become more strategic and multiyear; their volume was close to \$6 million in fiscal 2009 and is expected to remain comparable in fiscal 2010.

INCREASING TRADE FINANCING AND GUARANTEEING FOREIGN DIRECT INVESTMENT

During fiscal 2009, IFC scaled up its trade finance program and expanded its technical assistance and advisory services to private investors. For its part, MIGA plans to use its guarantee facility to help secure foreign direct investment in client countries in the Middle East and North Africa.

The Bank also strengthened its partnership with Arab and Islamic development institutions in fiscal 2009. It exchanged experiences on how to design and implement sectorwide approaches in the water and human development sectors; held joint technical workshops and dialogue on project identification, appraisal, supervision, and monitoring and evaluation; and conducted joint missions to identify, appraise, and supervise projects. (See <http://www.worldbank.org/mna>.)

SPOTLIGHT ON RESULTS

VOICES FROM THE FIELD

Rapidly Responding to Flood Devastation in the Republic of Yemen

In October 2008, people living in the provinces of Hadramout and Al-Mahara experienced one of the worst floods to hit the Republic of Yemen in more than a decade. Dozens of people were killed, and some 25,000 were displaced from their homes.

The impact on agricultural land and people’s livelihoods has been devastating. More than half a million Yemenis suffered significant loss of property or income. Livestock losses exceeded 36,000 head (camels, goats, and cows), and some 60,000 beehives producing the renowned Hadramout honey were reportedly destroyed.

Almost 13,000 acres of agricultural land were significantly damaged by soil erosion, and some 500,000 palm trees were reportedly uprooted.

Less than four months after a rapid assessment of the impact of the flood, the Board approved additional financing of \$35 million to support the rehabilitation of key infrastructure facilities in the disaster-affected areas of Hadramout and Al-Mahara, to restore access to roads, and to strengthen local capacity in disaster preparedness, mitigation, and response.

TABLE 2.6

WORLD BANK LENDING TO BORROWERS IN MIDDLE EAST AND NORTH AFRICA BY THEME AND SECTOR | FISCAL 2004–2009

MILLIONS OF DOLLARS

THEME	2004	2005	2006	2007	2008	2009
Economic Management	0.0	45.8	0.0	0.0	0.0	0.0
Environmental and Natural Resource Management	113.8	160.2	44.5	179.7	65.0	149.3
Financial and Private Sector Development	259.3	166.6	907.8	166.7	778.0	371.0
Human Development	192.1	95.4	128.5	14.3	17.2	92.0
Public Sector Governance	19.6	166.0	229.0	59.8	208.0	17.5
Rule of Law	1.7	1.8	46.9	33.0	11.2	0.0
Rural Development	65.1	155.3	177.9	126.6	53.3	82.3
Social Development, Gender, and Inclusion	70.7	123.0	67.8	174.9	75.5	21.0
Social Protection and Risk Management	31.6	98.5	69.7	15.4	35.7	32.9
Trade and Integration	158.3	0.0	0.0	16.0	17.2	201.4
Urban Development	178.7	271.1	28.5	121.6	208.8	755.7
Theme Total	1,091.0	1,283.6	1,700.6	907.9	1,469.8	1,723.0
SECTOR						
Agriculture, Fishing, and Forestry	27.2	229.2	15.3	208.5	0.0	60.0
Education	154.9	124.0	146.8	14.3	32.0	68.0
Energy and Mining	0.0	0.0	316.5	291.6	280.0	675.8
Finance	20.8	142.5	625.0	39.2	500.3	50.0
Health and Other Social Services	52.0	0.3	0.0	84.3	27.3	6.3
Industry and Trade	23.4	277.9	14.0	10.3	29.4	200.0
Information and Communication	0.0	18.5	0.0	0.0	9.0	0.0
Law and Justice and Public Administration	93.6	232.9	249.2	61.9	189.6	75.7
Transportation	409.6	29.0	237.6	27.4	104.7	390.1
Water, Sanitation, and Flood Protection	309.5	229.3	96.4	170.5	297.6	197.2
Sector Total	1,091.0	1,283.6	1,700.6	907.9	1,469.8	1,723.0
Of which IBRD	946.0	1,212.1	1,333.6	691.9	1,202.5	1,551.0
Of which IDA	145.0	71.5	367.0	216.0	267.3	172.0

Note: Effective fiscal 2005, lending includes guarantees and guarantee facilities. Numbers may not add to totals because of rounding.