



# MIDDLE EAST AND NORTH AFRICA



The Middle East and North Africa region grew an average of 4.7 percent a year from 2002 through 2004, a marked increase from the 3.7 percent average of the 1990s. This strong economic performance was accompanied by job creation that reduced the unemployment rate from 15 percent in 2000 to 13.4 percent in 2004.

This recent economic upturn notwithstanding, the region remains highly vulnerable to fluctuating global energy prices. Providing jobs for today's unemployed and tomorrow's job-seekers will require creating 5 million new jobs a year for the next 20 years. To do so, the region will need to develop a stronger private sector, diversify its markets, and increase global trade.

## WORLD BANK ASSISTANCE

Recognition of the urgent need for jobs underpins the Bank's strategy in the region. The regional strategy focuses on five challenges: strengthening governance and public sector management, promoting private sector development and employment, enhancing the quality of education so the region can better

compete in the global economy, ensuring equal opportunities for men and women (see box 2.5), and managing and conserving scarce water resources.

In support of these priorities, the Bank approved lending of \$1.3 billion in fiscal 2005. The bulk of this assistance, \$1.2 billion, was channeled through IBRD financing to middle-income countries; \$0.1 billion was provided as IDA concessional financing to low-income countries.

The Bank also delivered more than 60 pieces of economic and sector work in fiscal 2005. This work tackled a variety of issues, including pensions, education, public spending, and labor markets. In addition, the Bank produced a regional report, *Middle East and North Africa Region 2005 Economic Developments and Prospects*, which examines prospects for growth and measures progress toward structural reforms.

For countries in the region that are not eligible for borrowing, the Bank continues to provide advisory services under the Reimbursable Technical Cooperation Program. In fiscal 2005, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab

## MIDDLE EAST AND NORTH AFRICA FAST FACTS

Total population:	0.3 billion
Population growth:	1.7%
Life expectancy at birth:	68 years
Infant mortality per 1,000 births:	45
Female youth literacy:	80%
2004 GNI per capita:	\$2,000
Number of people living with HIV/AIDS:	0.1 million

<b>TOTAL FISCAL 2005</b>
<b>New Commitments</b>
IBRD \$1,212.1 million
IDA \$71.5 million

<b>TOTAL FISCAL 2005</b>
<b>Disbursements</b>
IBRD \$487.8 million
IDA \$178.3 million

Portfolio of projects under implementation as of June 30, 2005: \$5.9 billion

**Note:** Life expectancy at birth and infant mortality rate per 1,000 births are for 2003; female youth literacy is for the most recent year available from 2000 to 2002; HIV/AIDS data are from the June 2004 UNAIDS Report on the Global AIDS Epidemic; other indicators are for 2004 from the World Development Indicators Database.

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

Emirates received advice on policy reforms in areas such as the investment climate, education, and human resources planning.

In conflict-affected areas, the Bank administered trust funds on behalf of international donors to address emergency needs and strengthen local institutions. Nine trust fund operations were launched in Iraq to restore essential infrastructure and services, and extensive training was provided to help Iraqi ministries take ownership of reconstruction projects. In the West Bank and Gaza, the Bank helped develop an economic plan that outlines measures the Palestinian Authority and the government of Israel need to take in order to rebuild the Palestinian economy as part of the disengagement process.

(See also the IFC and MIGA annual reports.)

### **BUILDING THE CLIMATE FOR INVESTMENT**

In fiscal 2005 the Bank conducted investment climate assessments, which identify key barriers to doing business, for the Arab Republic of Egypt, Iraq, Morocco, Oman, the Syrian Arab Republic, Tunisia, the United Arab Emirates, and the Republic of Yemen. It also conducted analyses of trade logistics in Syria and the Republic of Yemen and funded an export development project in Tunisia.

Efforts to improve the investment climate go beyond reducing business costs and ensuring enforcement of contracts. The Bank is working to foster good corporate governance in Egypt. In Iraq it is supporting capacity building to manage the transition to a market-based economy.

Improving infrastructure services requires providing a better investment climate for service providers. The Bank is helping governments to better manage their public resources through competition and to improve regulation to facilitate private participation. Egypt is leading the way in this area, with the Airports Development Project. In Algeria, Iraq, and Tunisia, the Bank is supporting the modernization of information infrastructure services through private investment.

In countries struck by natural disaster, restoring basic infrastructure is critical to reviving the local economy. In response to the 2004 earthquake in Bam, Iran, the Bank is supporting the reconstruction of telecommunication and transport infrastructure.

### **FOSTERING PARTICIPATION IN DEVELOPMENT**

The region has made remarkable progress in increasing access to education. But it continues to face challenges in developing a high-quality education system that can respond to the needs of the future job market.

A Bank-supported education reform program in Morocco seeks to increase access to basic education for most school-age children by 2008, improve learning, and reduce dropout and repetition rates. In Egypt a Bank loan is helping the government provide good-quality early education, particularly for disadvantaged children. In Iraq, where nearly one-third of schools have to hold double or triple sessions daily, the Bank is working through a multidonor trust fund to finance the construction of new buildings for more than 100 schools and urgent repairs to 140 others.



FIGURE 2.11

**MIDDLE EAST AND NORTH AFRICA**

IBRD AND IDA LENDING BY THEME | FISCAL 2005  
SHARE OF TOTAL OF \$1.3 BILLION

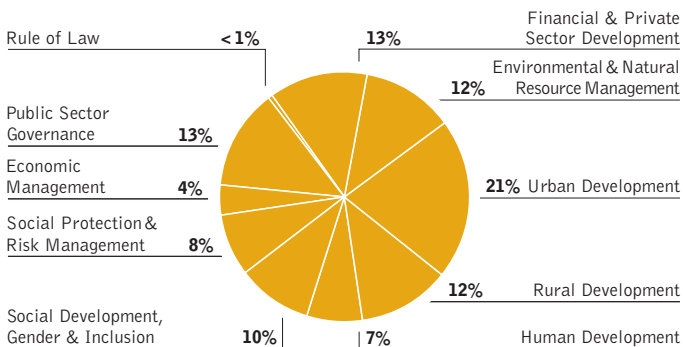
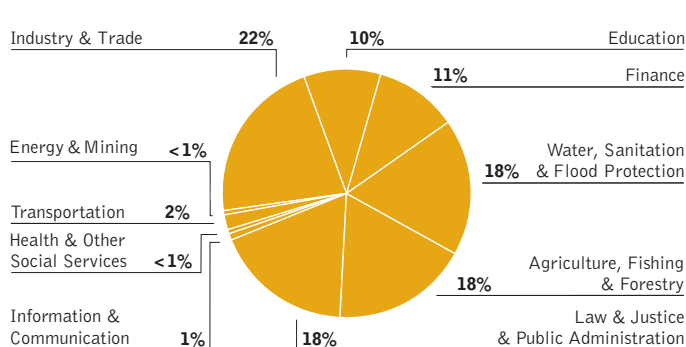


FIGURE 2.12

**MIDDLE EAST AND NORTH AFRICA**

IBRD AND IDA LENDING BY SECTOR | FISCAL 2005  
SHARE OF TOTAL OF \$1.3 BILLION



In the Republic of Yemen, where less than half the adult population is literate, the Bank is assisting national efforts to meet the Millennium Development Goals of universal primary education and gender equality by 2015. It is supporting reforms designed to create an education system in which vulnerable groups—including girls, children with special needs, and rural children—will benefit from investments in education. The Social Fund in Yemen is involving the local population in community-based projects. More than 9 million Yemenis benefited from some 400 projects in education, health, water and sanitation, and roads, which created millions of temporary employment opportunities.

Access to information is key to promoting participation and ensuring transparency and accountability. In partnership with universities and local organizations, the Bank helped

establish Public Information Centers in Algeria, Egypt, Lebanon, Morocco, the West Bank and Gaza, and the Republic of Yemen. These centers provide people with access to information, including the Internet.

As part of an ongoing effort to engage with civil society in the region, the Bank launched Development Marketplace competitions in Lebanon and the Republic of Yemen. Hundreds of proposals were submitted for innovative grassroots projects to fight poverty. Winners were given seed money to transform development ideas into projects.

In Egypt and Lebanon, the Bank held consultations with civil society on Country Assistance Strategies, engaging stakeholders in a dialogue on the development challenges they face and how best to address them.

**BOX 2.5**

**INCREASING BUSINESS OPPORTUNITIES FOR WOMEN**

Women and girls have made great strides in education in most countries in the region. Gender gaps in primary and secondary education are likely to be eliminated as early as 2005, and nearly as many women are graduating from universities as men. Women lag behind in labor and political participation, however, due to social norms and traditions. High unemployment and discrimination in the workplace have led women to become entrepreneurs, investors, and producers. But they face significant barriers in the business world.

To support the creation of more work opportunities for women, the Bank is adapting its investment climate assessments to better respond to the needs of women entrepreneurs. This pilot initiative examines gender discrepancies in access to financing, networks, and markets.

Preliminary findings from Morocco, Oman, and Syria suggest that women and men face similar constraints related to land, electricity, legal systems, and economic uncertainty. But corruption affects women more than men, and women face network-related barriers that make it difficult for them to enter business circles dominated by men. Focus groups conducted with owners of microenterprises and small businesses suggest that women have less access to capital, market knowledge, and the skills needed to succeed. As a result, women-owned businesses are generally less formal, smaller, and less profitable than those owned by men.

The Bank, in collaboration with IFC's Gender-Entrepreneurship-Markets Program, is looking to use these findings to identify how gender-related business constraints can be overcome through technical assistance and policy reform. A pilot project is now being carried out in Egypt and the Republic of Yemen.

TABLE 2.6

**WORLD BANK LENDING TO BORROWERS IN MIDDLE EAST AND NORTH AFRICA** BY THEME AND SECTOR | FISCAL 2000–2005  
MILLIONS OF DOLLARS

<b>THEME</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Economic Management	0.0	11.9	5.0	0.0	0.0	45.8
Environmental and Natural Resource Management	123.3	27.5	21.7	186.0	113.8	160.2
Financial and Private Sector Development	61.8	78.8	204.1	48.3	259.3	166.6
Human Development	187.9	35.7	61.9	140.9	192.1	95.4
Public Sector Governance	130.6	102.6	93.3	106.6	19.6	166.0
Rule of Law	9.3	56.5	49.1	48.0	1.7	1.8
Rural Development	89.2	86.4	14.5	100.6	65.1	155.3
Social Development, Gender, and Inclusion	71.6	52.5	13.4	63.1	70.7	123.0
Social Protection and Risk Management	100.0	5.6	11.0	96.1	31.6	98.5
Trade and Integration	3.0	3.4	24.8	3.6	158.3	0.0
Urban Development	143.5	46.7	55.8	262.7	178.7	271.1
<b>Theme Total</b>	<b>920.0</b>	<b>507.5</b>	<b>554.5</b>	<b>1,056.0</b>	<b>1,091.0</b>	<b>1,283.6</b>
<b>SECTOR</b>						
Agriculture, Fishing, and Forestry	120.6	46.5	2.9	196.7	27.2	229.2
Education	197.1	72.3	38.0	154.3	154.9	124.0
Energy and Mining	0.0	0.0	1.3	0.0	0.0	0.0
Finance	5.3	0.0	110.5	1.9	20.8	142.5
Health and Other Social Services	158.9	39.3	41.7	124.2	52.0	0.3
Industry and Trade	47.9	27.0	71.7	74.3	23.4	277.9
Information and Communication	1.3	59.2	69.9	2.3	0.0	18.5
Law and Justice and Public Administration	108.9	161.5	74.7	213.6	93.6	232.9
Transportation	59.6	82.8	70.9	107.9	409.6	29.0
Water, Sanitation, and Flood Protection	220.5	19.0	73.1	180.9	309.5	229.3
<b>Sector Total</b>	<b>920.0</b>	<b>507.5</b>	<b>554.5</b>	<b>1,056.0</b>	<b>1,091.0</b>	<b>1,283.6</b>
Of which IBRD	760.2	355.2	451.8	855.6	946.0	1,212.1
Of which IDA	159.8	152.3	102.7	200.4	145.0	71.5

Note: Fiscal 2005 includes Guarantees and Guarantee Facilities. Numbers may not add to totals due to rounding.