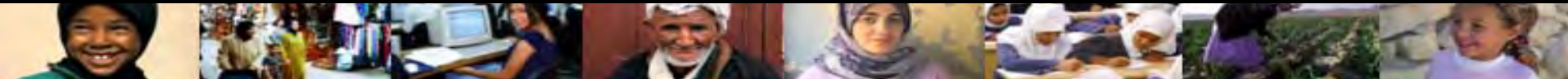




Regional Strategy Update 2009

Middle East and North Africa Region

May 21 2009





MNA Strategy Update 2009: Outline

- **MENA Development Challenges**
- **Short-Term Crises and their Impact**
- **World Bank Group (WBG) Strategy**
- **Our Strategy at Work**



1. MENA Development Challenges

Diversity, Challenges and Opportunities

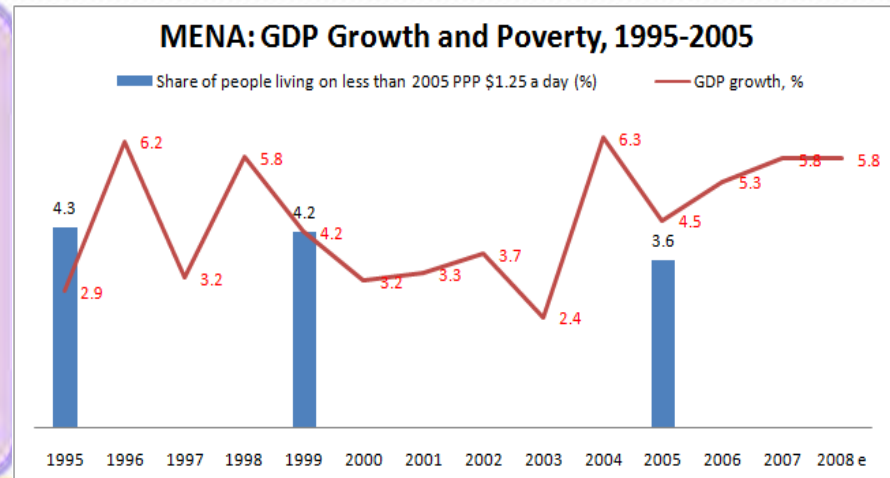


The boundaries, colors, denominations and other information shown on this map do not imply, on the part of the World Bank Group, any judgment on the legal status of any territory, or any endorsements or acceptance of such boundaries

Performance and Challenges

The MENA region embarked on critical reforms in the last two decades. As a result:

- GDP growth improved
- Poverty rates continued to decline
- Private sector plays a larger role in the economy
- Overall administration reform is progressing



However, the region still faces several challenges:

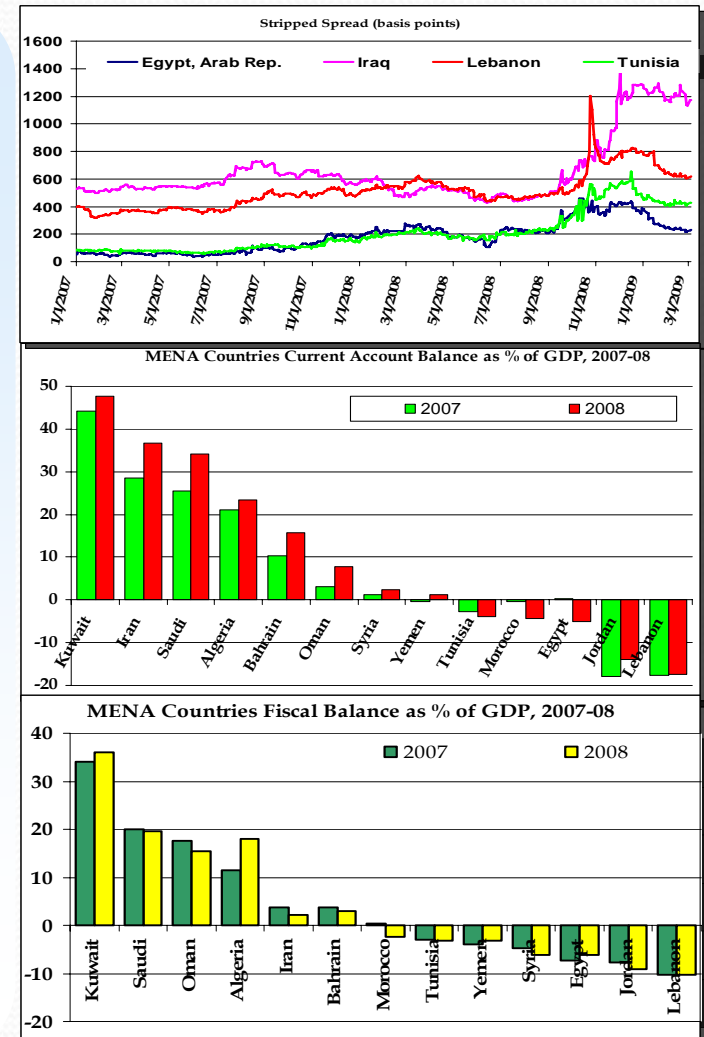
- GDP growth is still the lowest among all regions
- Many jobs are needed for a young and rapidly growing labor force
- Vulnerability is high
- Unfinished agenda in business environment, governance and inclusion
- Weak human capital formation and social cohesion
- Conflicts and fragility affect many countries
- Water scarcity and water stress are increasing
- Emerging global challenges are mounting



2. Short-Term Crises and their Impact

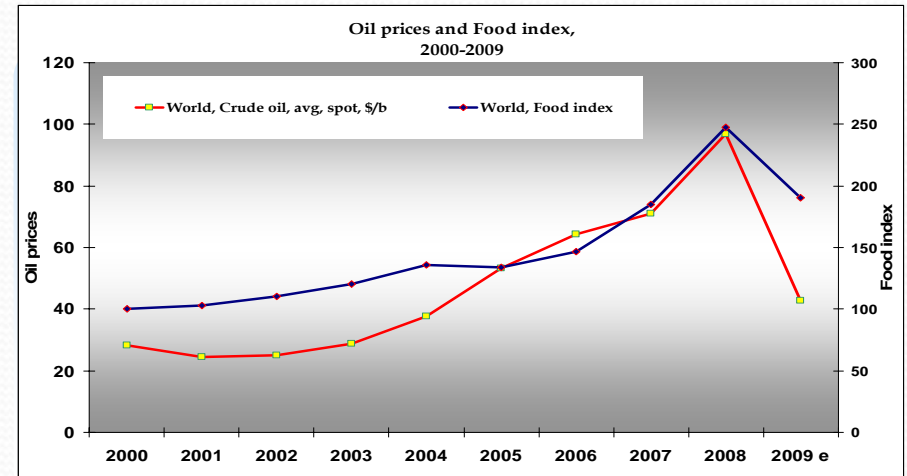
Impact of the Global Economic Crisis

- **Initial impact** has been greater in countries with stronger links to global financial markets (e.g., GCC)
- **Second round impact** is now being felt through: (i) lower oil prices for oil exporting countries and declining remittances and FDI from oil exporting countries to oil importing countries; and (ii) lower international demand on countries that export to, or receive tourists from, the EU and US, and countries that depend on trade-related services
- **There was little or no need for international financing in 2008** because of trade revenues, remittances, and FDI from the region. With the global economic slowdown, and the tightening up of global financial market conditions (with sovereign spreads likely to remain high), international financing needs in 2009 will be significant and difficult to secure from private sources
- **Most countries have little room to maneuver to finance domestically fiscal stimulus** packages because fiscal deficits are large and initial fiscal space was limited
- **And the current crisis follows on the heels of earlier crisis** (food prices and high energy prices)



MENA Region also Faced Other Crises in FY09

- ➔ Higher food prices
- ➔ Volatility in energy prices
- ➔ War in Gaza and violent attacks in many other countries
- ➔ Devastating floods in Yemen



Gaza



Yemen





Financial/Economic Crisis: Scenarios and Risks

The economic impact of global slowdown will vary depending upon initial fiscal and external account positions, the degree of economic integration in the global economy and the severity and duration of the global slow down

- Need for financing from official and multilateral sources will grow in 2009. Our current estimate suggests that the need will be between \$2-4 billion.

Key risks

- **Given the MENA long-term challenges and vulnerability, the current economic crisis compounded these challenges**
- **There are real risks of set back to poverty reduction efforts and reversal of previous gains. Many people in MENA region are around the poverty line and slowdown in economic activity will push many people under the poverty line**
- **MENA has long-term job creation needs to address unemployment problem and this worsen given the expected impact of the current financial/economic crisis with the risks of rising social tensions**
- **MENA is least integrated into the global economy (excluding oil exports) and the current economic crisis raises the risks of populism and protectionism**
- **Worsen trade, fiscal and external balances**



3. WBG Strategy

MNA Strategic Direction

http://siteresources.worldbank.org/INTMENA/Resources/MENA_Strategic_Directions_2009.pdf

MNA STRATEGIC DIRECTIONS



Our Goals

Accelerate economic growth and the creation of jobs and enhance MENA's integration with the rest of the world

Improve the inclusion of youth, women, disabled people and minorities in the economic and public sphere

Help the people in areas suffering from conflicts





What are the Main Objectives of the WBG Strategy?

WBG's main goal is to support the efforts of our diverse clients to:

1. Accelerate broad-based growth and job creation and their sustainability and enhance MENA integration with the rest of the world and its status as a global partner
2. Improve inclusion of women, youth, disabled people and minorities and enhance their participation in the economic and public sphere
3. Reconstruct critical infrastructure and institutions for economic and social development in conflict-affected areas
4. Address climate change, water stress and natural resource management
5. Reform energy and food subsidies, social protection and safety nets and address vulnerability
6. Enhance education for global labor market, labor and job mobility and global demographic and labor force imbalances



How is MNA implementing its strategy?

- **A country-based approach complemented by a regional approach to sensitive cross-cutting challenges**
- **Maintaining focus on long-term challenges while providing rapid response to emerging crises**
- **Scaling up support to social safety reforms, crisis preparedness and urgent measures to address vulnerable groups**
- **A menu of instruments (finance, knowledge and coordination)**
- **Focus on results and impact assessments of our interventions**
- **partnerships to raise development effectiveness**
- **Increased reliance on the use of country systems and clients capacity for M&E**



How is MNA implementing its strategy?

- **Key operating principles: adaptation and strategic responsiveness**
- **Moving closer to our clients and partners and reaching out to all stakeholders**
- **Enhanced synergy in WBG support programs**

And alignment of MNA strategy with the WBG Six Strategic themes and the Arab World Initiative in particular

IFC is working closely with regional SWFs to attract investments in developing countries

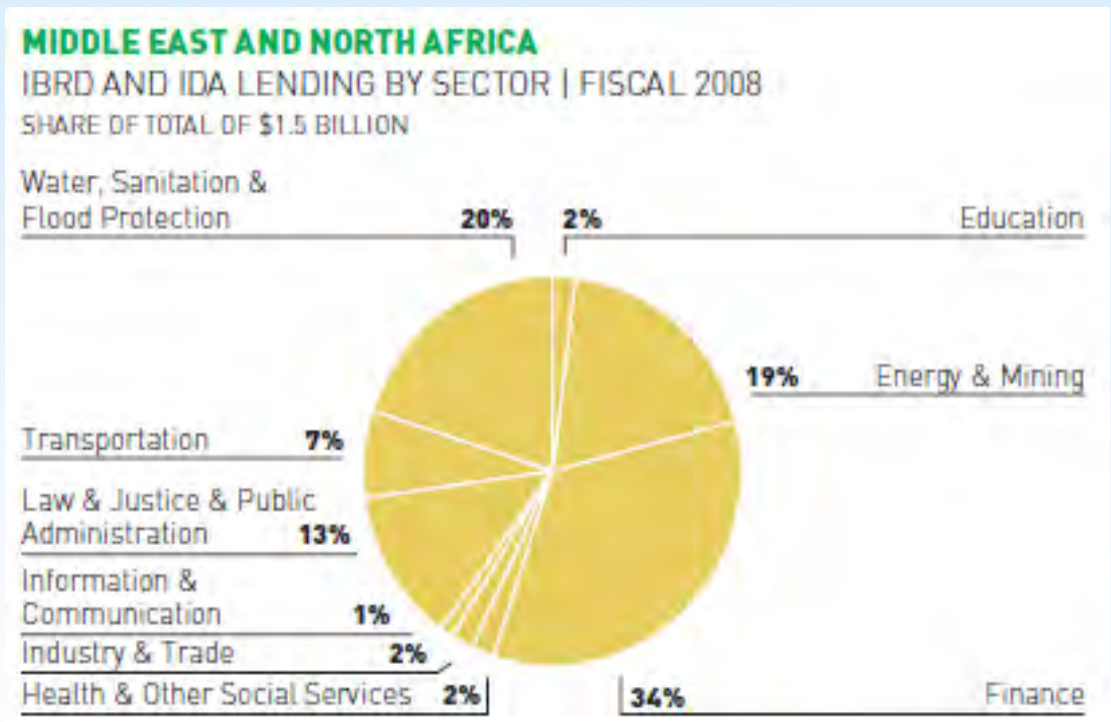
First Joint IDA/IFC CAS for Yemen under preparation

Country Support Partnerships and Strategies

Economic growth, job creation and poverty alleviation are overarching goals in all our support programs. Country specific programs are based on various pillars:

	Private Sector development, Finance and Infrastructure	Public Sector Reforms and Governance	Human capital formation (Health and Education)	Inclusion & Social Assistance (Safety nets, subsidies, youth, gender)	Environment and natural resource management
Algeria	X				
Bahrain	X			X	
Djibouti	X	X	X	X	
Egypt	X		X	X	X
Iran				X	X
Iraq	X	X	X	X	X
Jordan	X	X	X	X	X
Kuwait	X	X	X		
Lebanon	X	X	X	X	X
Libya	X	X			
Morocco	X	X	X	X	X
Oman	X				
Qatar			X		
Syria	X			X	X
Saudi Arabia	X	X		X	
Tunisia	X	X	X		X
U.A.E.	X				
WB&G	X	X	X	X	
Yemen	X	X	X	X	X

IBRD and IDA Lending by Sector FY08



IBRD and IDA Lending by Sector FY03-08

WORLD BANK LENDING TO BORROWERS IN THE MIDDLE EAST AND NORTH AFRICA BY THEME AND SECTOR | FISCAL 2003–2008
MILLIONS OF DOLLARS

THEME	2003	2004	2005	2006	2007	2008
Economic Management	0.0	0.0	45.8	0.0	0.0	0.0
Environmental and Natural Resource Management	186.0	113.8	160.2	44.5	179.7	65.0
Financial and Private Sector Development	48.3	259.3	166.6	907.8	166.7	778.0
Human Development	140.9	192.1	95.4	128.5	14.3	17.2
Public Sector Governance	106.6	19.6	166.0	229.0	59.8	208.0
Rule of Law	48.0	1.7	1.8	46.9	33.0	11.2
Rural Development	100.6	65.1	155.3	177.9	126.6	53.3
Social Development, Gender, and Inclusion	63.1	70.7	123.0	67.8	174.9	75.5
Social Protection and Risk Management	96.1	31.6	98.5	69.7	15.4	35.7
Trade and Integration	3.6	158.3	0.0	0.0	16.0	17.2
Urban Development	262.7	178.7	271.1	28.5	121.6	208.8
Theme Total	1,056.0	1,091.0	1,283.6	1,700.6	907.9	1,469.8

IBRD and IDA Lending by Sector FY03-08

SECTOR						
Agriculture, Fishing, and Forestry	196.7	27.2	229.2	15.3	208.5	0.0
Education	154.3	154.9	124.0	146.8	14.3	32.0
Energy and Mining	0.0	0.0	0.0	316.5	291.6	280.0
Finance	1.9	20.8	142.5	625.0	39.2	500.3
Health and Other Social Services	124.2	52.0	0.3	0.0	84.3	27.3
Industry and Trade	74.3	23.4	277.9	14.0	10.3	29.4
Information and Communication	2.3	0.0	18.5	0.0	0.0	9.0
Law and Justice and Public Administration	213.6	93.6	232.9	249.2	61.9	189.6
Transportation	107.9	409.6	29.0	237.6	27.4	104.7
Water, Sanitation, and Flood Protection	180.9	309.5	229.3	96.4	170.5	297.6
Sector Total	1,056.0	1,091.0	1,283.6	1,700.6	907.9	1,469.8
Of which IBRD	855.6	946.0	1,212.1	1,333.6	691.9	1,202.5
Of which IDA	200.4	145.0	71.5	367.0	216	267.3

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



4. Our Strategy at Work



Our Response to short-term crises in FY09

Food crisis

(i) Project support under GFRP to Djibouti, Yemen and WB&G; (ii) TA and policy advice to all countries; (iii) A policy note with FAO/IFAD to the Arab Summit; (iv) Stepping up support to social safety nets

Energy crisis

(i) “Energy for the Poor” initiative; TA and policy advice to countries on macroeconomic policy and reforms to energy subsidies; (ii) restructuring of portfolio projects to address immediate energy needs (e.g., Djibouti).

Conflict and fragility

(i) Accelerating support in terms of project financing, policy advice, and donor coordination (Iraq, WB&G, Lebanon, etc.); (ii) Post Conflict Needs Assessment for Gaza

Global economic crisis

(i) TA and policy advice to all countries; (ii) acceleration of project implementation to support national fiscal stimulus plans; (iii) additional lending (DPLs and investment projects) support and rapid response; (iv) IFC's advice to corporate clients particularly banks how to manage risk.

Other disasters and crisis preparedness

(i) Needs assessment project support to Yemen for floods; (ii) stepped our monitoring programs and policy dialogue to assist clients to prepare for all crises; (iii) adjusted WBG ongoing programs and projects to assist in mitigating current crises

Results and Impact

Overall Regional Trends

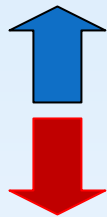
(a proxy for impact of combined development efforts)

Growth

PSD

Unemployment

Poverty



Perception of WBG

Effectiveness (from Global Poll)

- High support for AWI
- High recognition of WBG current effectiveness and future importance
- Yet only 37% of respondents strongly agree that WBG is achieving results in MENA

Examples of Impact of Specific Activities

- **Jordan** multidonor project (ERFKE) – A 10 year reform program in education → 2007 TIMSS shows strong improvement in Jordan ratings in math and sciences since 2003
- **Djibouti** project → HIV/AIDS seroprevalence among 15 – 24 year old pregnant women, decreased from 2.7% in 2002 to 2.1% in 2007 (surpassing end of project target of 2.2 percent and suggesting stabilization of the epidemic)
- **Iraq** (Emergency Community Infrastructure Rehabilitation project) → benefitted over 120,000 rural inhabitants in 13 governorates by improving irrigation (in 89000 ha) drainage and water supply and creating over 20000 jobs (about 183000 work days)
- **Libya Fee-Based Services** → The opening of a Single Window for business registration in three cities has brought the time to register a company down to 15 minutes and the number of local companies registered from 5 per day in 2007 to 17 in 2008. (The efficiency improved from 2 companies per employee per month to 46 companies per employee per month)
- **Morocco Rural Roads** project → Road access for rural populations increased from 54% in 2005 to 64% in 2008. Water access for rural populations increased from 54% in 2005 to 80% in 2008. In villages that gained access to an all-weather road the net enrollment ratio of girls in primary school rose from 28 percent to 68 percent and the price of some staple foods declined by 50 percent.



The Way Forward

- This are very challenging times. The financial/ global economic crisis is now becoming an unemployment crisis. Without needed actions it will become a human crisis on global scale
- Take all opportunities to assist our diverse MENA clients in these difficult times
- Scale up finance, knowledge and coordination services. And our responses will be coordinated among the agencies of the WBG for maximum impact and results
- Scale up support to social assistance programs and reforms of the social safety nets because many segments of the population are vulnerable to shocks and clustered around the poverty lines
- Short-term response to crises will be consistent with long-term sustainable development
- Continue to play a major role in donor coordination, resource mobilization and aid effectiveness particularly in our fragile and conflicted affected countries. We will scale up our cooperation with Arab and Islamic development partners under the AWI
- Additional measures to ensure excellence in quality of the portfolio and raising the effectiveness of our AAA services including lesson learnt and best practices from across the Bank to strengthen our adaptation and learning
- Undertake more analytical work to assess the feasibility of financing regional projects
- Further reliance on the use of country systems, increased support to capacity enhancement and sector wide approaches to enhance development impact