



Middle East and North Africa (MENA) Regional Update 2021

*Preventing a lost decade
Unlocking the region's potential*



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Outline

1 Regional context

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Key messages

In the decade following the Arab Spring, MENA countries did not fundamentally resolve longstanding challenges that slowed the region's development progress

COVID-19 triggered multiple shocks in MENA that significantly worsened economic and social trends and placed renewed importance on private sector development

If MENA is to avoid another lost decade, countries will need to pursue reforms that restore trust, protect human capital, and support jobs and gender equity

Mitigating conflicts, and spillovers of conflicts, is an urgent imperative given severe development challenges in fragile and conflict-affected environments

The WBG will continue to support MENA's immediate and longer-term needs, with a focus on Green, Resilient, and Inclusive recovery utilizing private sector solutions following the Cascade approach

The 2022 Annual Meetings, in Marrakesh, are an opportunity to accelerate momentum for reforms and showcase MENA's development agenda

At the start of a new decade, MENA is at a crossroads

The decade following the Arab Spring did not fundamentally resolve MENA countries' most pressing and persistent development challenges



Few opportunities, esp. for youth and women



Minimal trust in the state and social unrest



Protracted conflicts and migration shocks

COVID-19 compounded MENA countries' pre-existing vulnerabilities, amplifying the economic and social impacts of the pandemic



Vulnerable populations and widespread inequality



Weak health systems and limited or unreliable data



Prevalent informality and small private sector

MENA countries must enact reforms in the new decade that restore trust and create opportunities ...



Education and skills for the 21st century



Digitalization and gender equity to support jobs

... together with policies and investments that support a green, resilient, and inclusive recovery



Green investments to build back better

Reforms and transparency for sustainable growth

Regional Context






Middle East and North Africa Region







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MENA is a heterogeneous region with complex development challenges

Economic and social challenges





-  Oil export reliance (Iraq, Algeria, GCC countries)
-  Financial and/or economic crisis (Lebanon, Iran)
-  Protests and social unrest (Algeria, Lebanon, Tunisia)





FCV-related risks

-  High-intensity conflict (Libya, Syria)
-  Medium-intensity conflict (Iraq, Yemen)
-  High institutional/social fragility (Lebanon, WB&G)
-  Spillovers from conflict (Jordan, Lebanon)

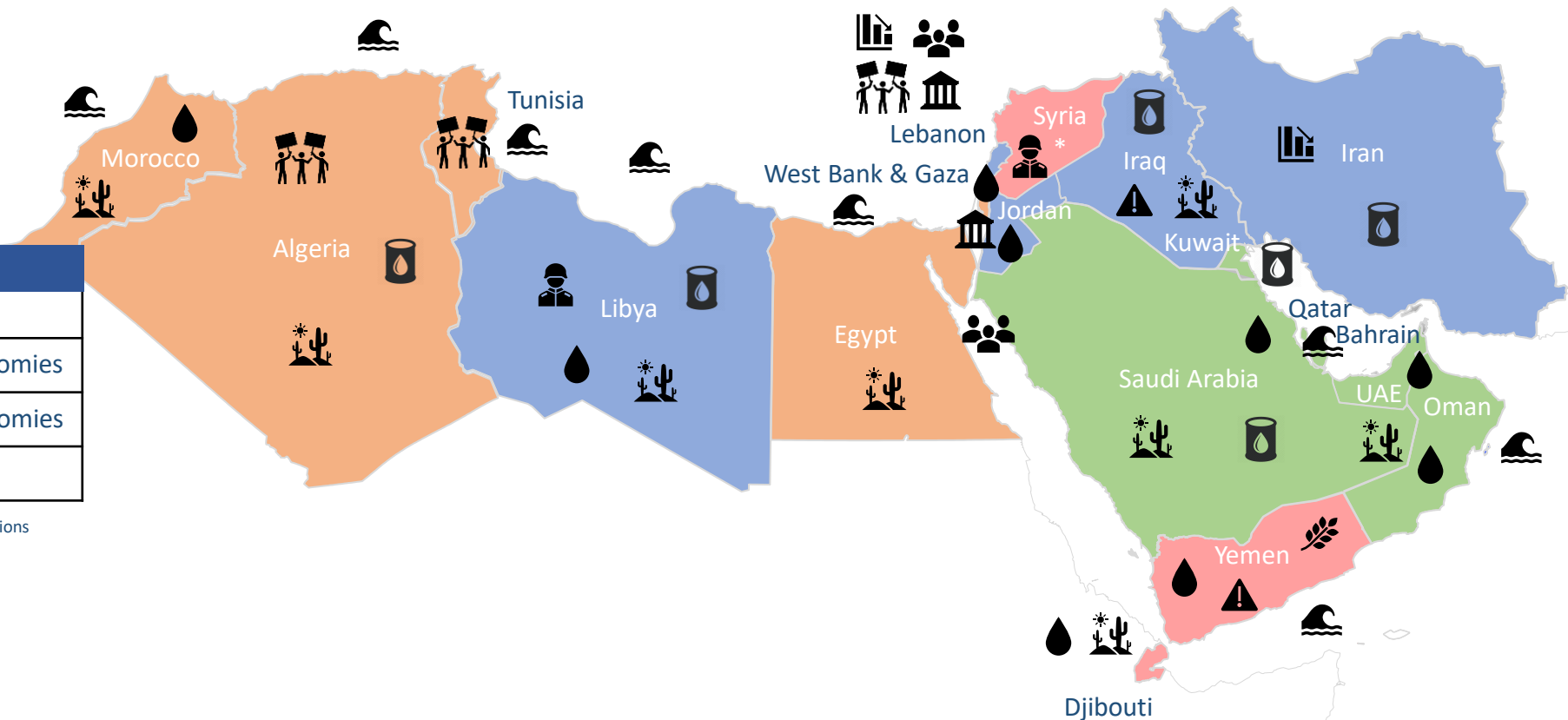
Source: World Bank FY21 FCS list

Climate risks

-  Acute water scarcity
-  Desertification and land degradation
-  Coastal flooding
-  Famine risks

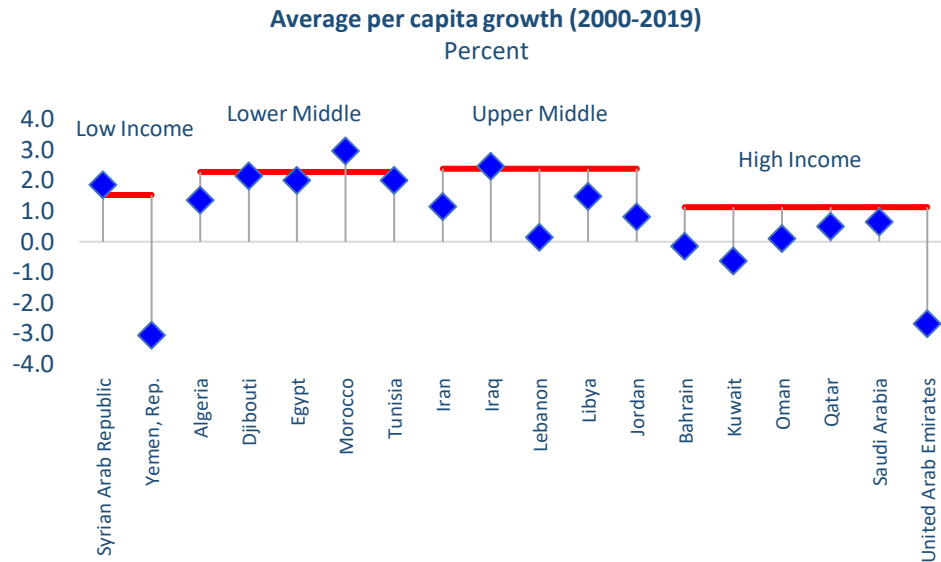
| Country income classifications | |
|--|-------------------------------|
|  | Low-income economies |
|  | Lower-middle-income economies |
|  | Upper-middle-income economies |
|  | High-income economies |

Source: World Bank FY21 country income classifications



The previous decade saw low growth and a stagnating middle class

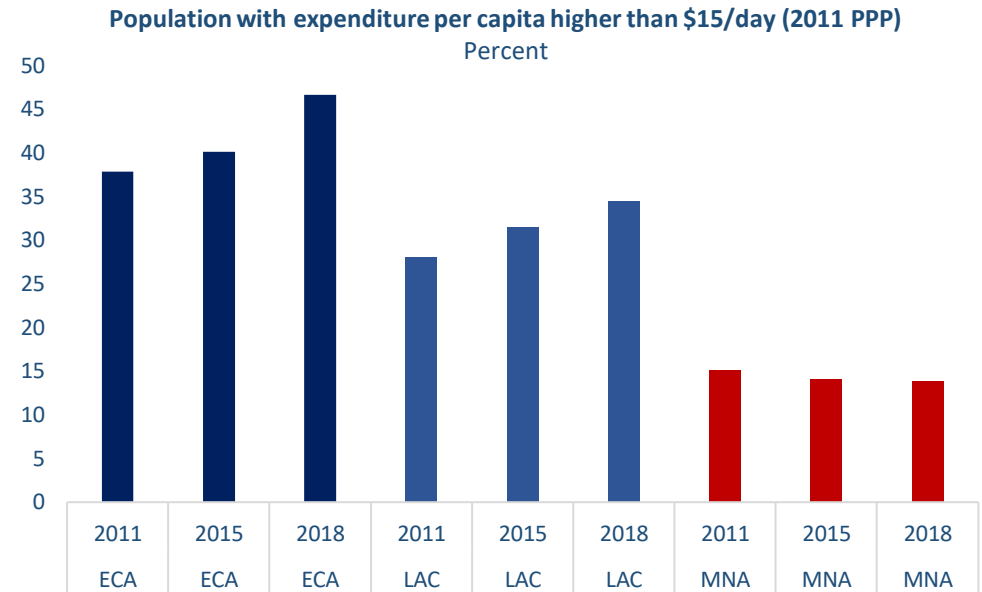
Chronic low growth



Source: Office of the Chief Economist for MENA, World Bank, based on IMF data, World Economic Outlook.
Note: Red lines indicate median growth in GDP per capita in non-MENA countries in the same income group
Blue diamonds are country average growth in GDP per capita.

- MENA economies would be at least 20 percent richer in terms of GDP per capita if all countries had growth at the median rate of their corresponding income groups
- Faster growth rates will be needed to create enough employment opportunities for the rising number of youth in the region

Stagnant middle class



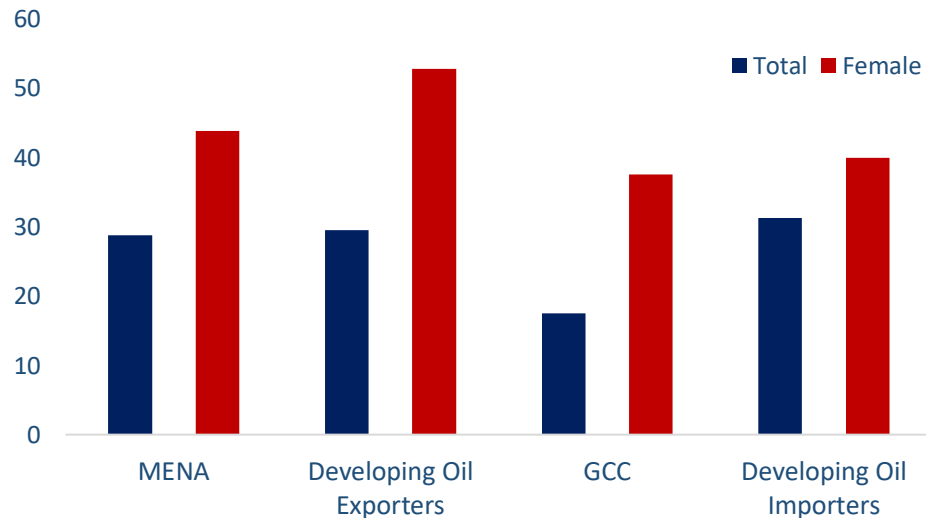
Source: World Bank staff calculations

- While extreme poverty is relatively low, higher poverty lines reveal widespread levels of economic insecurity, with more than 40 percent of the population having incomes below \$5.50 per day at 2011 PPP
- MENA's middle class stands at roughly 15 percent of the population, largely stagnant since 2011 - data challenges in MENA hamper more accurate poverty estimation

Economic opportunities remained limited, resulting in unresolved frustrations

High unemployment

Youth unemployment
Percent of labor force ages 15-24



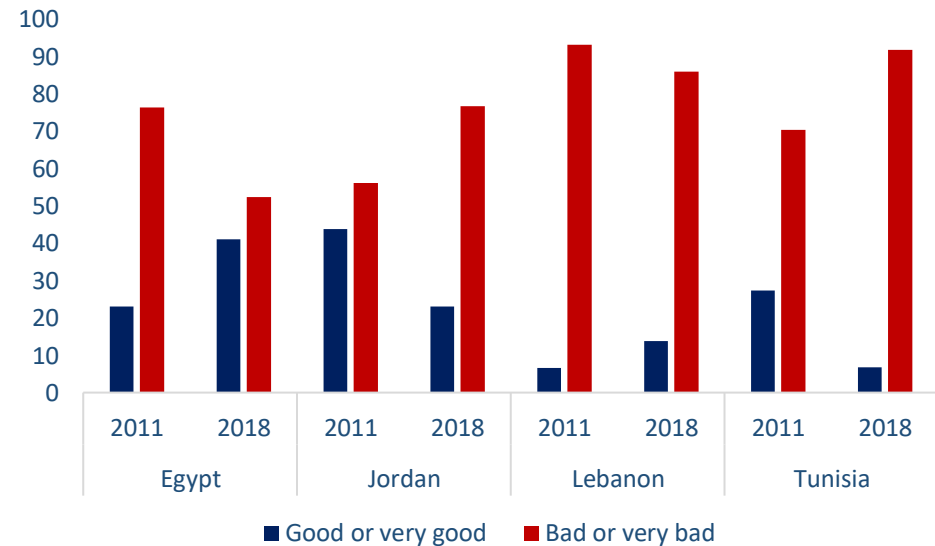
Sources: World Bank, World Development Indicators, and World Bank staff calculations.

Notes: GCC countries include Saudi Arabia, Qatar, and United Arab Emirates. Developing oil exporters include Algeria, Iran, and Iraq. Developing oil importers include Djibouti, Egypt, Jordan, Tunisia, and West Bank and Gaza. MENA include countries from all three groups. Country groups are represented by the weighted average, with weights being labor force of the corresponding gender and age group. Data for Saudi Arabia is as of 2018, and all other countries are as of 2017.

- MENA's youth unemployment rate (29 percent) is the highest among regions; female labor force participation (about 20 percent) the lowest
- Based on demographic trends, over 300 million youth are expected to enter the labor market between 2020 and 2050, during a time when public sector finances are strained, limiting their ability to absorb job seekers, and the private sector remains limited in size

Unmet aspirations

Ratings of economic conditions
Percent of respondents



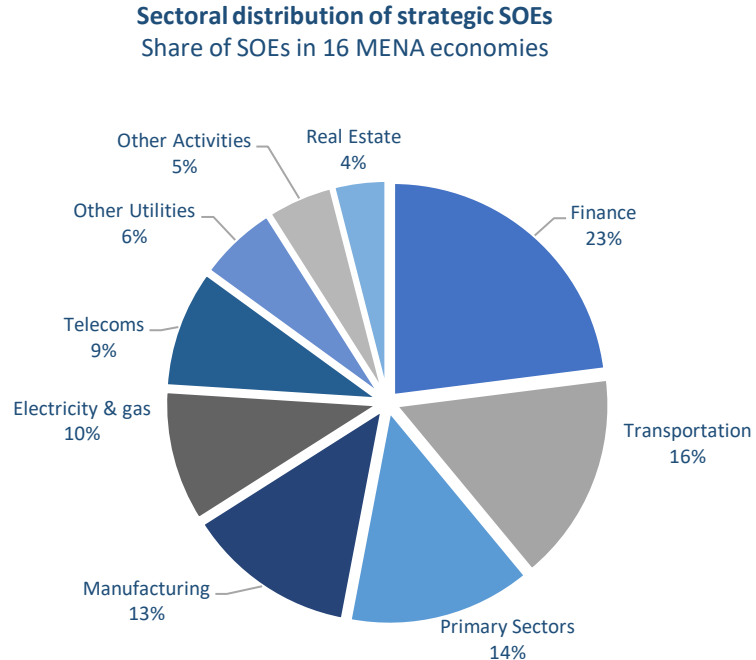
Source: Arab Barometer, Waves II (2011) and V (2018)

Notes: n = 4,990 in 2011 and 9,592 in 2018

- MENA's main development challenge is creating more and better economic opportunities for its youth and women
- In the face of denied opportunities, frustration can spill onto the street: from 2000-2019, MENA had 10 times more protests than the rest of the world – frustration can also lead to out-migration, draining MENA of valuable expertise and know-how

MENA's economies are characterized by a large role of the state and informality

Large state presence in the economy

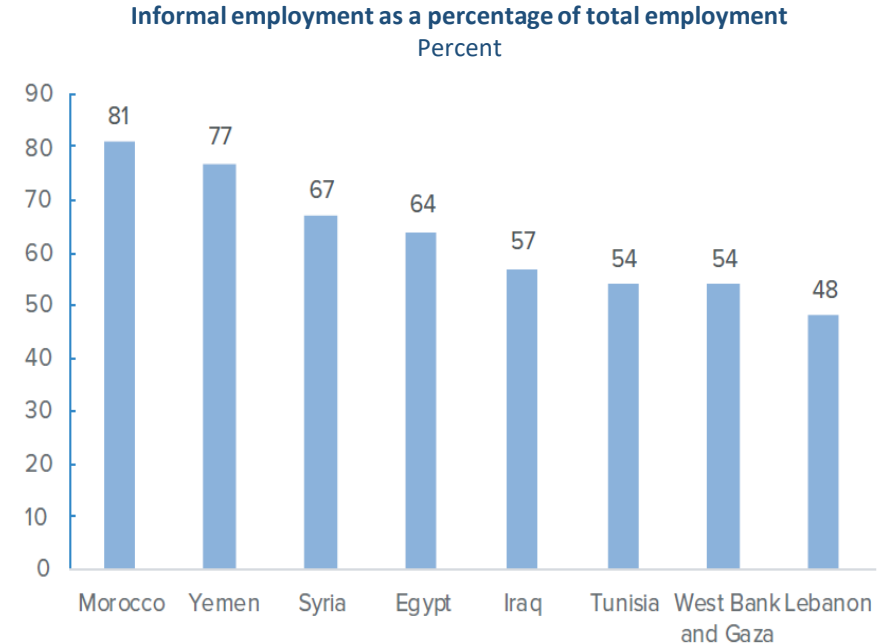


Source: OECD (2018), State-Owned Enterprises in the Middle East and North Africa: Comparisons with international practices and policy options for reform.

Note: "Strategic SOEs" refers to large and socially and economically important commercial SOEs across the region

- **Employment:** State-owned enterprises (SOEs) provide up to 30 percent of employment in MENA, compared to about five percent globally
- **Economic value added:** the economic value added of SOEs in MENA is nearly 25 percent, compared to roughly eight percent in Latin America and 15 percent in Africa and OECD countries
- **Banking sector:** state-owned banks in MENA represent nearly 50 percent of total banking assets, compared to 18 percent worldwide

Widespread labor market informality



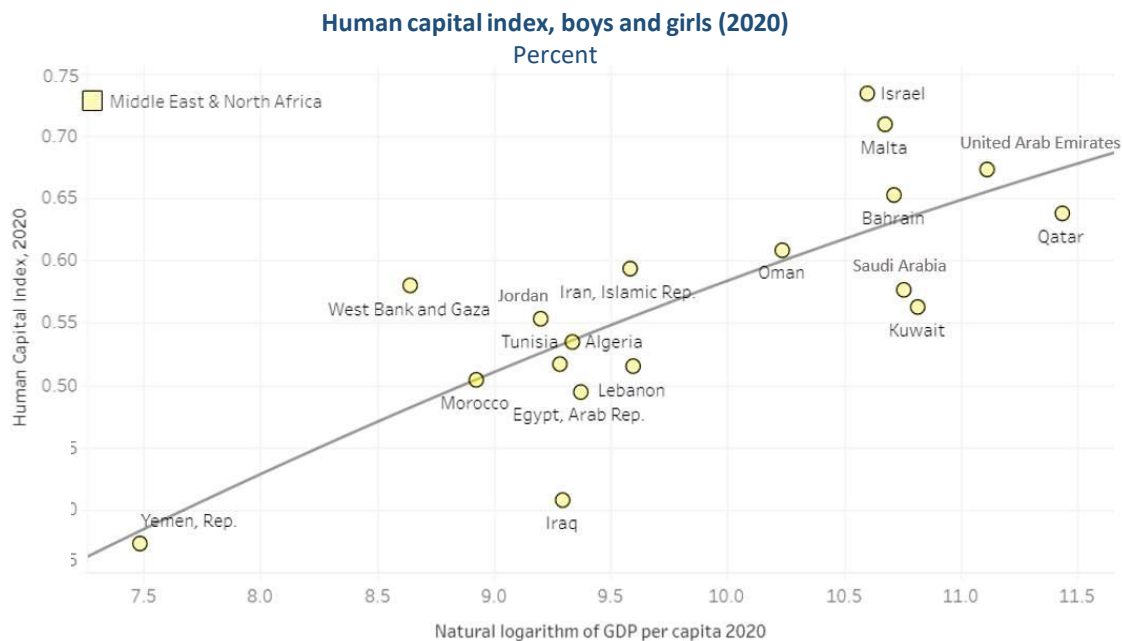
Source: International Labor Organization and World Bank I2D2 (jobs) dataset

Notes: Most recent available data: Egypt, 2017; Iraq 2012; Lebanon, 2011; Morocco, 2009; Syria, 2003; Tunisia, 2010; West Bank and Gaza, 2018; Yemen, 2014

- A large segment of youth across MENA are engaged in the informal sector as unregistered micro-entrepreneurs and informal workers
- Key priorities for MENA countries include i) building the productive assets and skills of informal workers, ii) building a conducive business environment, iii) providing social insurance that covers informal workers, and iv) improving the availability and reliability of data for policymaking

MENA countries face several human capital challenges

Human Capital Index



Source: World Bank Human Capital Index (2020)

Notes: The HCI measures the human capital that a child born today can expect to attain by age 18, given risks to poor health and poor education that prevail in the country where she lives.

- On average, a child born today in MENA will be only 57 percent as productive when she grows up as she would be if she benefited from complete education and full health – outcomes differ substantially based on income levels and exposure to fragility and conflict
- Utilization is a major challenge – the average MENA HCI value declines by more than a third (from 0.57 to 0.32) when accounting for the proportion of the working-age population who are employed

Multiple human capital gaps



Lowest human capital: the percentage of total national wealth produced from human capital in MENA (35 percent) is nearly half the world average (64 percent); low and unequal access to early childhood education; gender gaps in boys' learning compared to girls



High learning poverty: nearly two-thirds of children in MENA cannot read with proficiency and only 31% of MENA children receive pre-primary education



Inadequate social protection: 45 percent of the population in lowest quintile not covered by social protection programs; efficiency of social expenditures can be greatly improved



Growing health challenges from non-communicable diseases, diseases caused by environmental factors, and food insecurity, which will increase pressure on health systems and pose long-term challenges from lost productivity

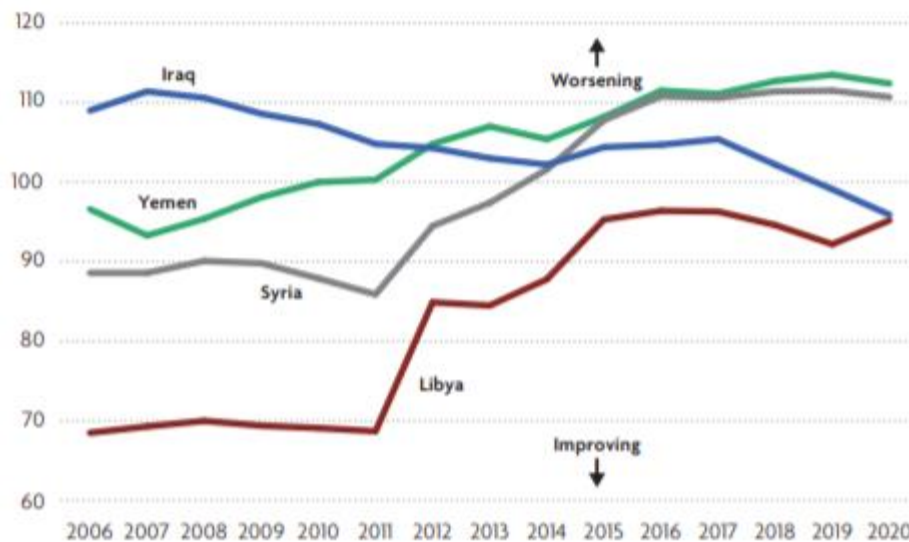


Conflicts eroding human capital, as displaced people lose access to employment, schooling, health care, and nutrition

Conflict and climate challenges are worsening, posing risks to long-term development

Protracted conflicts

Fragile States Index for Iraq, Libya, Syria, and Yemen (2006-2019)
Total country score



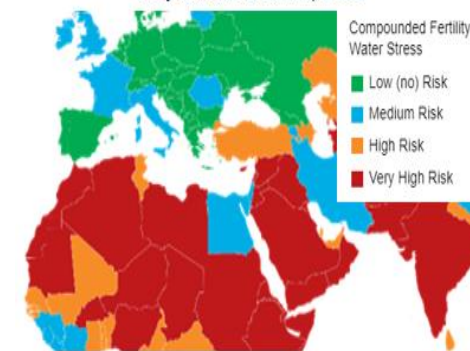
Source Fragilestateindex.org

Note: An increase in a country's score means the situation is worsening

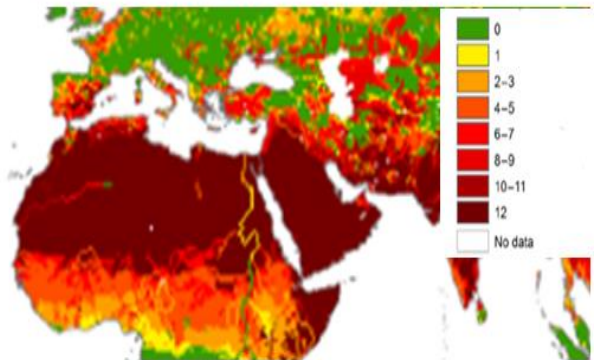
- **Yemen:** the world's largest humanitarian crisis continues to worsen, with 24 million Yemenis in need of humanitarian assistance, of which, 4.3 million are forcibly displaced; 2 million children are out of school
- **Syria:** total losses in GDP are estimated at \$226 billion through 2017, four times Syria's GDP in 2010; non-economic damages are much larger

Climate and environmental risks

Per capita Water Availability and Future Population Growth, 2050



Number of months in which water scarcity is > 100%



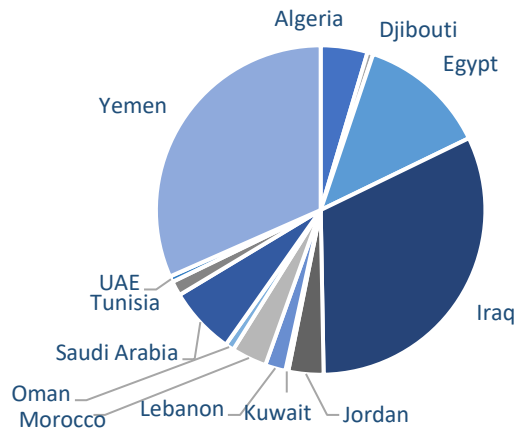
- ✓ **Maghreb:** warming, reduction in annual precipitation, increased water stress, reduced agricultural productivity; large coastal cities exposed to sea level rise
- ✓ **Mashreq:** increased aridity and water stress and low levels of transboundary water cooperation; adverse consequences for agricultural and food production
- ✓ **Arabian Peninsula:** heat extremes, uncertain annual precipitation, sea level rise
- ✓ **Across MENA:** risks to food security, social conflict, productivity, and health

Sources: Uncharted Waters: The New Economics of Water Scarcity and Variability, World Bank, 2017, and Turn Down the Heat, Confronting the New Climate Normal, World Bank, 2014

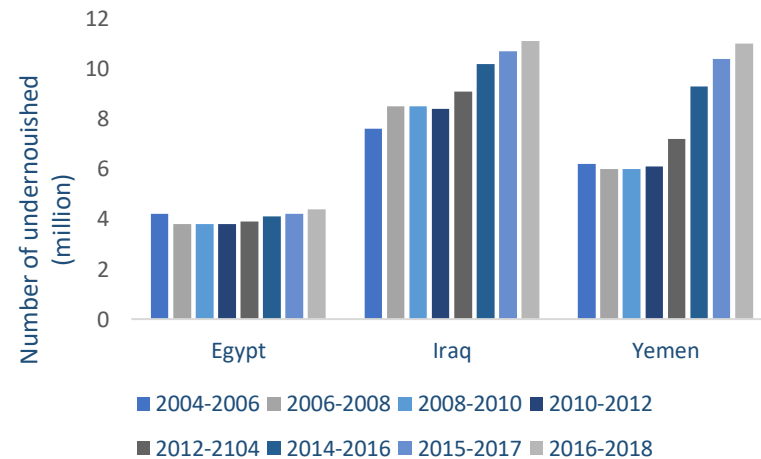
- 60 percent of MENA's population lives in areas with high or extremely high surface water stress (global average of 35 percent); water scarcity could reduce economic output by 6 to 14 percent annually by 2050
- Environmental challenges (e.g., air and water pollution) impose large economic and human capital costs

Food systems were not delivering food security in some MENA countries prior to COVID-19

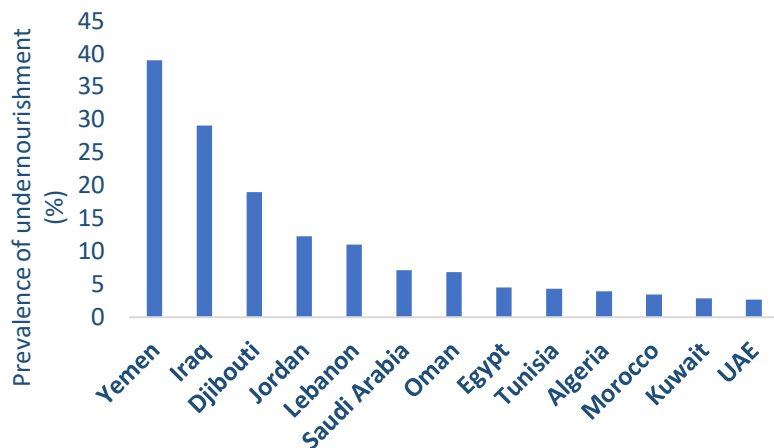
Distribution of food insecurity in MENA



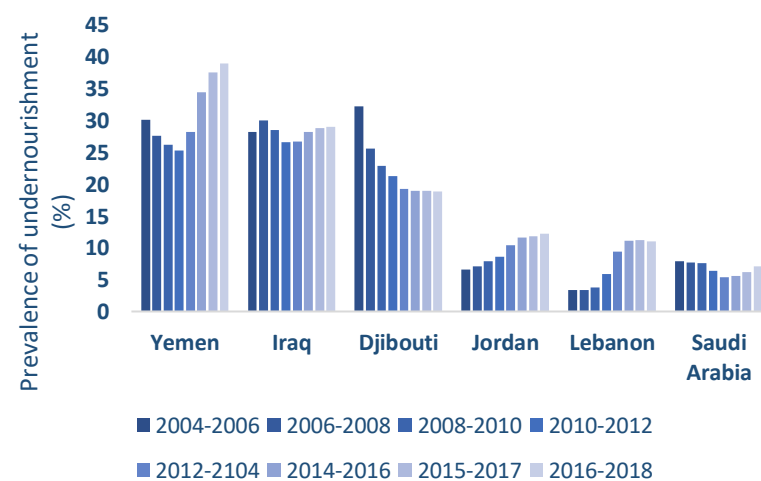
Worsening food insecurity in Iraq and Yemen, stable in Egypt
(no data for Syria, Libya and West Bank and Gaza)



Rates of undernourishment



Changes to undernourishment rates in select countries

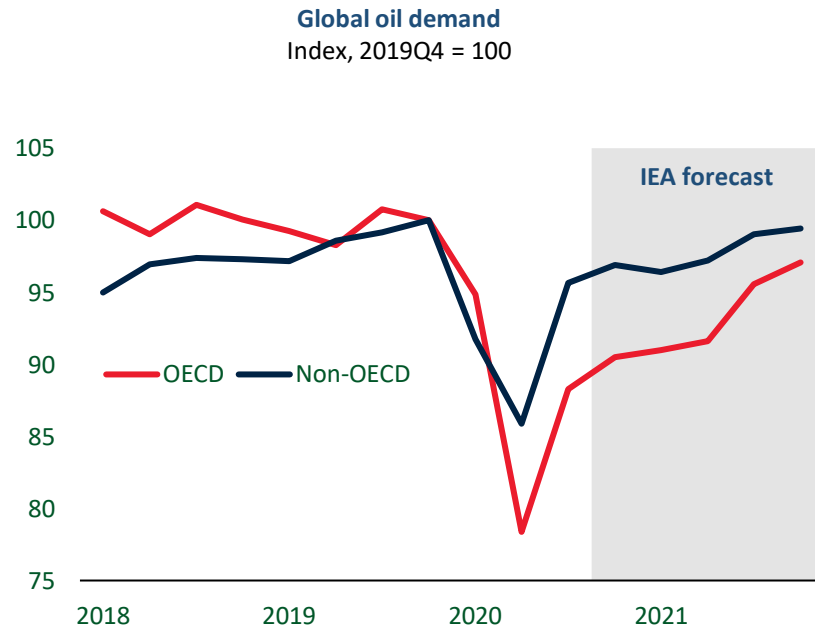


Food security challenges in MENA

- 55 million people acutely food insecure in 2019 (not including food insecure populations in Syria, West Bank and Gaza, and Iran)
- Supply and demand issues vary from one country to another; in the most complex cases (Yemen, Lebanon, Syria), they compound each other
- Supply-side pressures present in countries affected by natural disasters (Morocco, Yemen, Djibouti), other shocks (Lebanon), conflicts (Yemen, Syria, and Iraq), and disruptions to domestic markets brought by COVID-19 restrictions (Jordan, Yemen)
- Those pressures have translated in significant food price increases, most notably in Lebanon, Yemen, Djibouti, Syria, and Iran
- There are also demand-side issues in almost all countries caused by COVID-19 economic shocks
- Refugee populations are particularly vulnerable and affected across MENA

COVID-19 exacerbated MENA's challenges

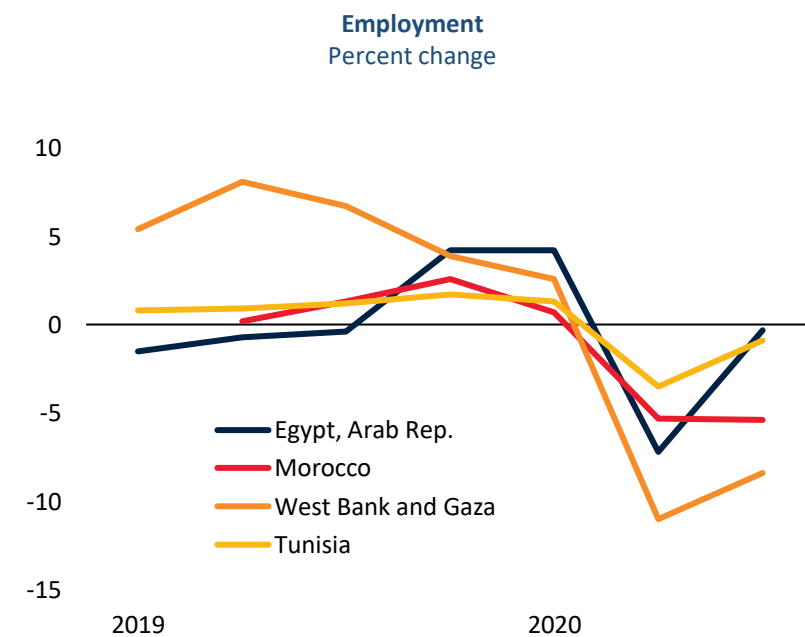
Oil shock



Source: World Bank GEP, January 2021, based on International Energy Agency data and forecasts

- Disruptions in global consumption reduced demand for MENA's goods and services, especially tourism and oil – Brent crude prices plummeted to a multi-year low of \$20 per barrel in April 2020, when a world-wide lockdown coincided with an oil output surge
- Regional demand also declined due to fluctuating lockdowns / re-openings co-existing with rigid public sector pay, dealing a blow to countries' public finances

Labor market impacts

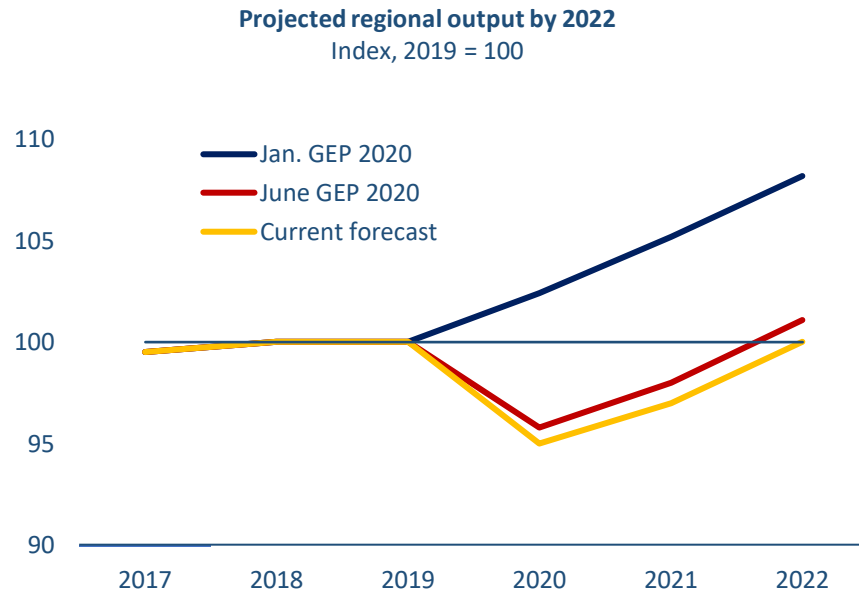


Source: World Bank GEP, January 2021, and Haver Analytics
Note: Year-on-year change. Last observation is 2020Q3.

- COVID-19 reduced labor as workers became sick and experienced limited mobility due to social confinement measures – poorer households are more likely to be self-employed or engaged in the informal sector
- COVID-19 could have lasting effects on productivity due to the detrimental impacts of education disruptions and potentially lengthy periods of unemployment

COVID-19 significantly worsened economic and social trends

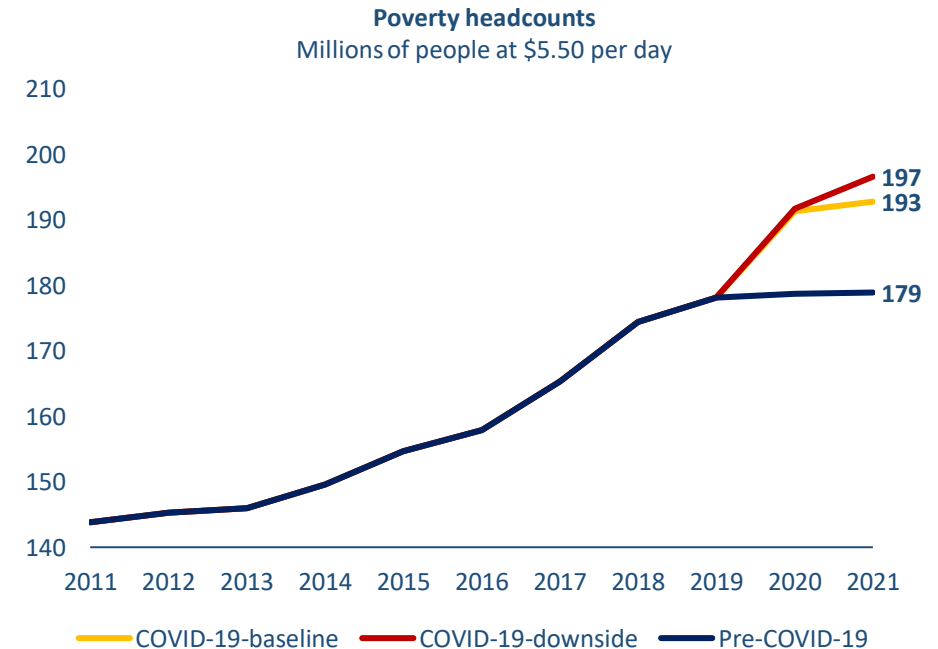
Sharp decline in economic output



Source: World Bank Global Economic Prospects, January 2021
Note: Current forecasts as of January 2021

- GDP is estimated to have contracted by 5.0 percent in 2020 (GEP, Jan 2021) – this is 7.4 percentage points below World Bank forecasts in January 2020, before the pandemic
- The reduction in output from COVID-19 is equivalent to more than \$230b in lost income – MENA’s output in 2021 is forecast to be 7.8 percent lower than the pre-COVID-19 counterfactual expected output

Sharp increase in poverty



Source: World Bank staff calculations
Note: The COVID-19 baseline and downside estimates use the January 2021 GEP forecasts.

- Many workers in MENA’s large informal labor market are vulnerable to the multiple shocks of COVID-19 – measured at incomes of \$5.50 per day, approximately 18 million people are at risk of falling into poverty
- Extreme poverty in MENA prior to COVID-19 remained relatively low (less than five percent of the population between 2010-2013); however, the trend was increasing due to conflicts in Yemen and Syria

COVID-19 caused disruptions to MENA's private sector

Affected sectors

Oil and gas, tourism, manufacturing, transport



- ✓ Suspension of non-essential activities
- ✓ Domestic supply chain disruptions
- ✓ Trade disruptions from border closures
- ✓ Decline in household demand

Vulnerable sectors

Ag/agribusiness, banking, real estate, construction



- ✓ Suspension of non-essential activities
- ✓ Domestic supply chain disruptions
- ✓ Trade disruptions from border closures
- ✓ Prevalence of informality
- ✓ Decline in household demand

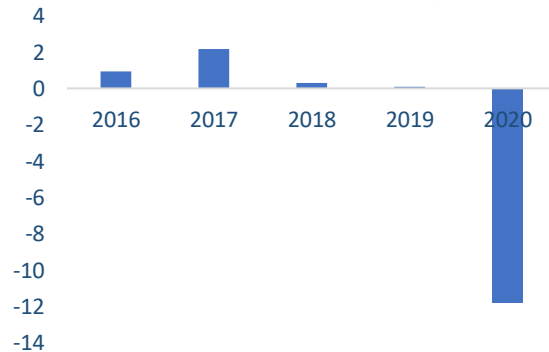
Emerging sectors

Digital economy, health/education, ag, renewables

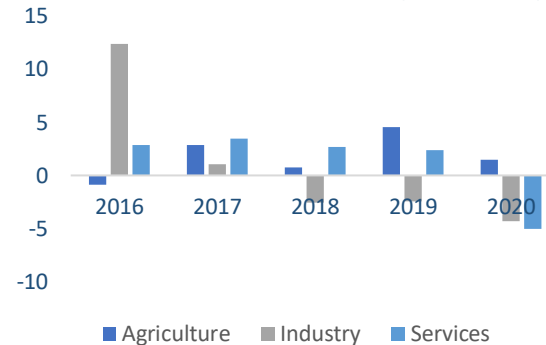


- ✓ Imported supplies trade disruptions
- ✓ Low-carbon technologies and green jobs

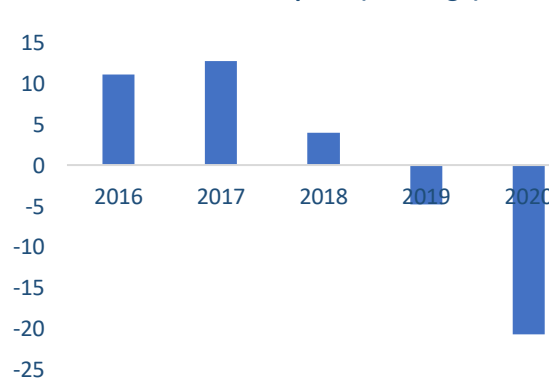
Gross fixed investment (% change)



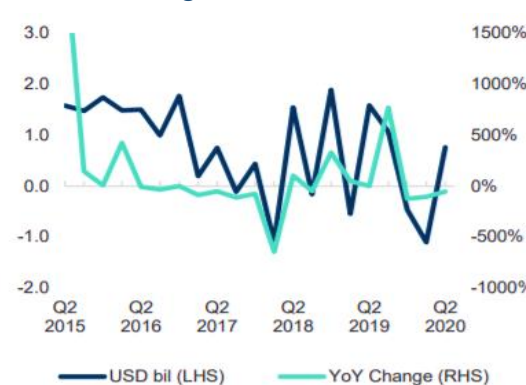
Annual Growth in Sectoral Output (% change)



Annual Growth in Exports (% change)



Net Foreign Direct Investment



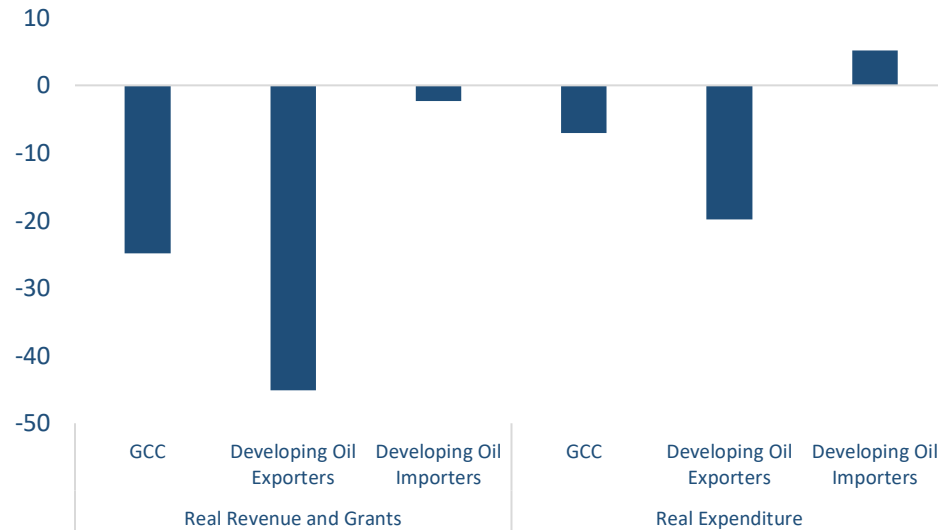
COVID-19's disruptions to MENA's private sector

- Reductions in demand, suspension of non-essential activities, financial constraints, closure of facilities, and supply chain interruptions have created negative disruptions in key economic sectors
- COVID-19 has also resulted in a surge in demand for emerging sectors, particularly digital service delivery, requiring investments in digital infrastructure, skills and capacity
- Gross investment fell sharply across MENA, primarily as a result of fewer investments in oil and gas
- Cross-border investment in MENA also declined sharply, at over 50 percent year-over-year between 2019 and 2020 in some countries
- Total foreign direct investment (FDI) to MENA declined sharply, falling over 50 percent year-over-year between Q2 2019 and Q2 2020

A deterioration in public finances fueled a surge in borrowing

Shrinking fiscal space

Changes in real government revenue and expenditure in 2020
Percent



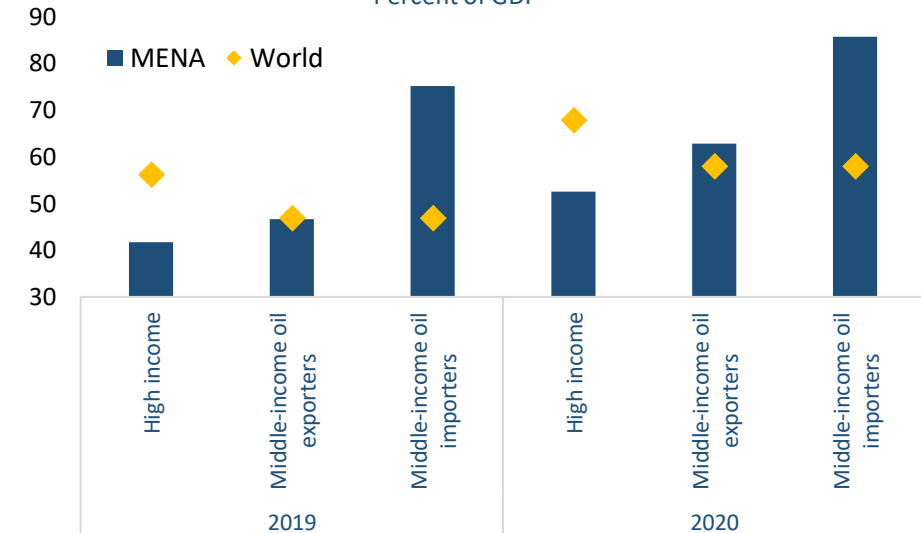
Source: World Bank, Macro Poverty Outlook (October 2020)

Note: Bars represent forecast changes of real government revenue and grants and real government expenditure in constant 2019 USD, from 2019 level.

- Despite a fall in revenue, to cope with the impacts of the pandemic, many countries in MENA are pursuing fiscal mitigation packages that include increased spending on health and social safety nets, tax payment reductions and deferrals, and loans and guarantees to firms
- Total foreign direct investment (FDI) to MENA also declined sharply, falling 52 percent year-over-year between Q2 2019 and Q2 2020

Growing levels of public debt

Public debt in 2019 and 2020
Percent of GDP



Source: IMF, World Economic Outlook, October 2020, and World Bank staff calculations.

Note: Country groups are represented by the median country. World middle-income countries is the corresponding income group for both Middle-income oil exporters and Middle-income oil importers in MENA.

- Public debt grew in several MENA countries in the previous decade as declines in global oil prices negatively impacted both oil exporters and oil importers (through FDI, remittances, grant, and export channels; remittances appear more resilient)
- COVID-19 led to a further material weakening of public finances, with large increases in fiscal deficits across MENA countries – this has led to a surge in public debt of nearly 10 percent of GDP in some countries

COVID-19 is making it more difficult for MENA to achieve the SDGs

In addition to its poverty impacts, COVID-19's compounding impacts on selected SDGs



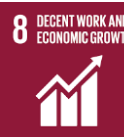
- Across MENA, health systems are facing significant strains
- Yemen faces a near total collapse of its already fragmented and severely damaged health system
- In Lebanon, 73 percent of Syrian refugees reported reducing their food consumption



- Pre-COVID-19, MENA was already experiencing a learning crisis: over half of 10-year-olds in low- and middle-income countries could not read with proficiency, significantly undermining life-long learning
- School closures are exacerbating this challenge, with risks growing that learning will stall, attachment to schooling will decrease, and inequality will increase, which lead to an inter-generational cycle of poverty



- Many women are in lower status positions and under-recognized with limited legal protections that put them at greater risk during such a time as a pandemic – risks of gender-based violence have increased
- Women's increased care and household responsibilities, intensified by school closures and lockdowns, limit their voice and agency – and their possibilities of participating in the labor market



- Sharp reductions in economic output in a region already struggling to create the millions of jobs necessary for its labor force – 1.7 million people in the Arab region could lose their jobs, including 700,000 women
- Since the outbreak, the share of female full-time workers declined by 5 percentage points in Morocco and 6 percentage points in Jordan



- Perceptions of corruption and lack of transparency undermine the effectiveness of crisis response efforts, deepening economic impacts, undermining citizens' trust in government, and threatening social cohesion
- These challenges are most acute in MENA's FCV countries, where social and economic exclusion continue to be key drivers of conflict and instability



MENA's development challenges require structural transformation



Limited trust in government

- Limited voice and accountability
- Widespread perceptions of corruption
- Weak local governments
- Ineffective service delivery
- Spatial inequality and lagging regions
- Unavailable or unreliable data and statistics

Poor returns on human capital

- Learning poverty and learning losses
- Skills not aligned with market
- Weak health systems and prevalence of noncommunicable diseases (NCDs)
- Poorly targeted social protection systems
- Highest youth unemployment rate globally



Uncompetitive economies

- Inefficient growth models (SOEs, public investment-driven)
- Low use of digital technologies
- Low levels of regional trade and investment
- Largest SME financing gap
- Large and growing infrastructure gap

Large gender gaps

- Lowest level of female labor force participation
- Lack of female voice and agency
- Legal barriers to participation in the economy
- Financial exclusion: nearly with the largest gender gap
- Gender-based violence in FCV



Protracted conflicts and forced migration

- Costly civil wars, internationalization of conflicts
- One in five people living within 60 km of conflict (source: World Bank)
- Large numbers of refugees/internally displaced persons
- High inequality between urban and rural populace

Climate-related vulnerabilities

- Reliance on imports pose risks to food security
- Accelerating desertification
- Highest groundwater depletion rates
- Large share of population in flood-prone coastal zones
- Growing rates of climate-induced migration



Operational Framework

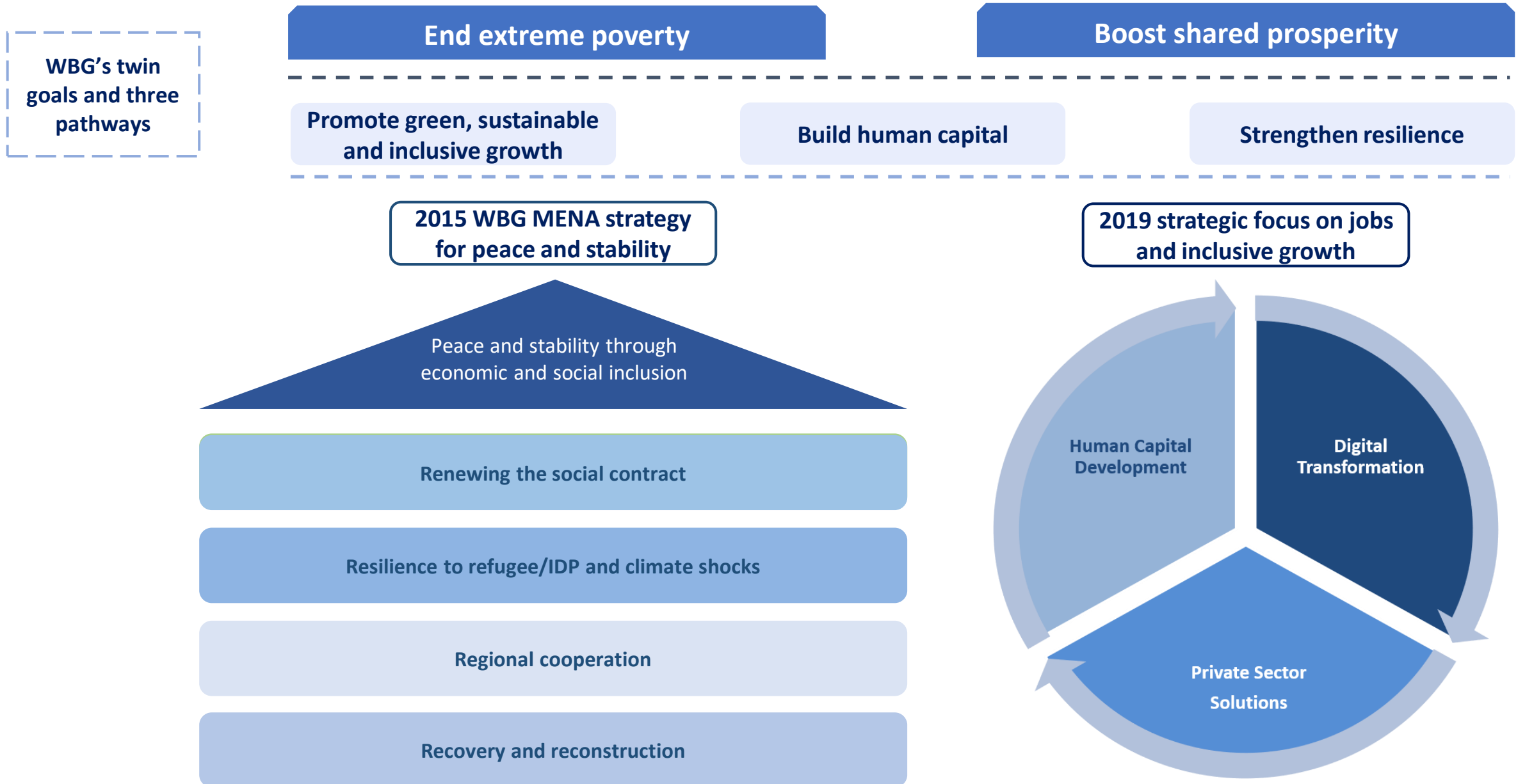


Middle East and
North Africa Region



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The WBG MENA strategy aims to address the region's evolving challenges

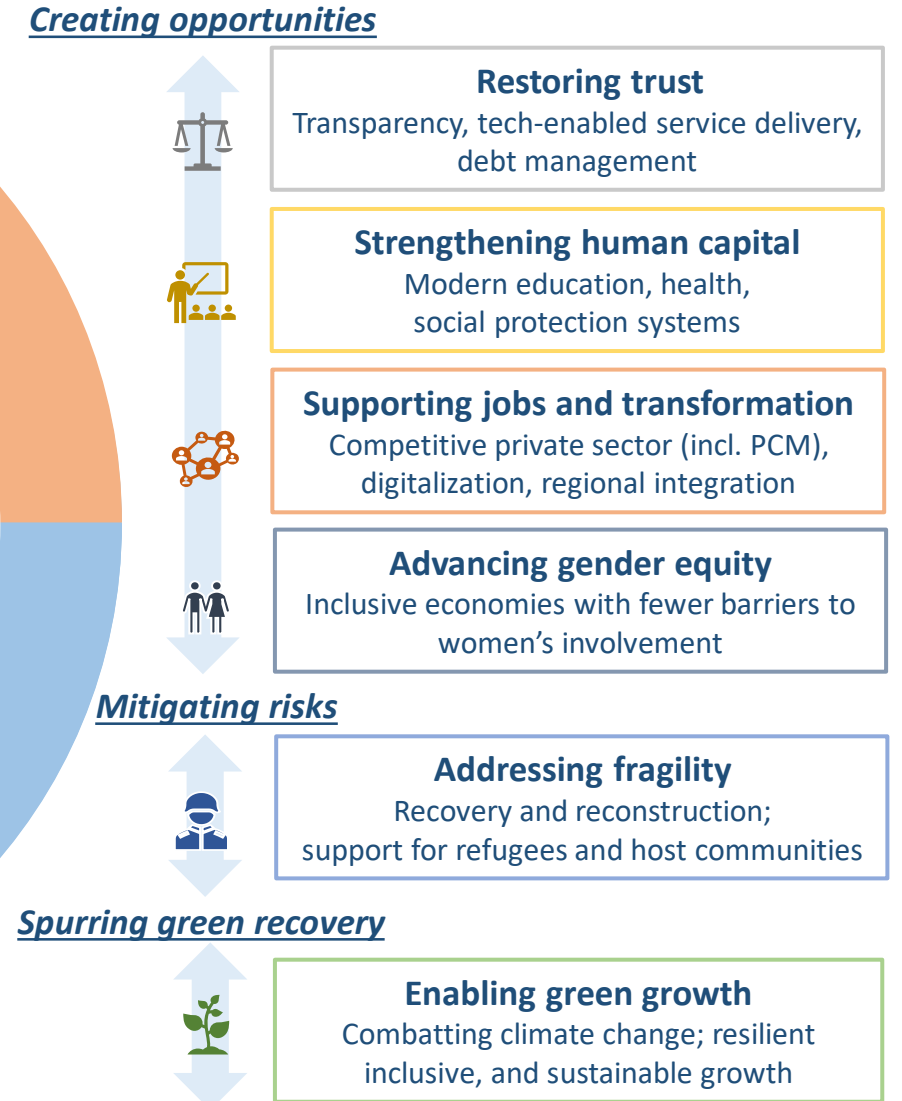


WBG deepening approach to respond to urgent needs and longer-term challenges

WBG COVID-19 framework (Approach Paper)



WBG MENA strategy (aligned with IBRD, IDA, IFC commitments, MIGA strategy)





WBG's programmatic adjustments in response to COVID-19 ...

Saving lives

- Financing for health equipment, PPE, vaccines, water and sanitation, training, and critical infrastructure
- Technical support to national institutions to model and monitor outbreak trajectories
- Sharing global lessons learned and best practices on COVID-19 preparedness, including infection control and vaccine procurement and deployment
- MIGA support to finance procurement of medical goods and services

Protecting the poor and vulnerable

- Targeted income support for vulnerable households
- Education cash transfers to protect human capital
- Rapid needs assessments
- Social protection and jobs policy notes for all MENA clients
- Municipal and agricultural programs to support local public works, services, and livelihood opportunities and reduce regional disparities
- Addressing risks of food insecurity

Sustainable business growth and job creation

- Digital transformation and digital financial services to support financial inclusion
- 21st century skills and support for low-skilled youth
- Analytical programs on trade integration, tertiary education, and labor markets
- Strengthening the competitiveness of cities and improving infrastructure
- IFC liquidity support to financial institutions and real sector clients
- MIGA support for short-term funding and working capital to SMEs and corporates

Strengthening institutions and rebuilding better

- Fiscal and debt transparency
- Open data policies
- Improving governance of SOEs
- Improving business environments
- Climate resilience and natural resource management
- Supporting entrepreneurship and access to finance for micro, small, and medium enterprises
- Infrastructure investments with positive employment spillovers
- Improving digital connectivity
- Modernization of public procurement for increased transparency and efficiency in public spending

IBRD/IDA, IFC, and MIGA COVID-19 Fast-Track Facilities



Saving lives

- **Djibouti COVID-19 Response Project** strengthening national systems for public health preparedness
- **Lebanon Health Resilience Project** supporting vaccine purchases and distribution
- **Iran COVID-19 Emergency Response Project** improving availability of life-saving medical equipment
- **IFC loan to Hikma** supporting working capital needs during the pandemic (first MENA commitment under the IFC COVID-19 Fast-Track Facility)
- **IFC equity financing** supporting the healthcare sector, including to Humania, to provide liquidity support and develop a network of high-quality tertiary hospitals in Egypt and Morocco
- **MIGA support to Trade and Development Bank (TDB)** to facilitate the procurement of COVID-19 medical equipment and supplies

Protecting the poor and vulnerable

- **Yemen Emergency Crisis Response Project and Social Protection Enhancement and COVID-19 Response Project** providing cash transfers, temporary employment, and access to services
- **Lebanon Emergency Crisis and COVID-19 Response Social Safety Net Project** providing cash transfers to the most vulnerable and preserving human capital
- **Jordan Emergency Cash Transfer COVID-19 Response Project** supporting vulnerable households
- **Egypt Takaful and Karama social assistance program** expanded to now reach 12 million Egyptians
- **Tunisia Urban Development and Local Governance Program** investing in disadvantaged neighborhoods
- **IFC - in collaboration with the WB, UNHCR, UNICEF, and ILO -** multiannual country programs responding to forced displacement

Sustainable business growth and job creation

- **Tunisia Youth Economic Inclusion Project** providing support to micro, small, and medium enterprises and mitigating job losses
- **Gaza Third Municipal Development Project** strengthening the institutional capacity of municipalities for more accountable and sustainable service delivery
- **IFC loan to Luminus College (Jordan)** providing liquidity and supporting youth and women
- **IFC advisory services for women employment and economic participation across MENA**
- **MIGA support to TDB** to facilitate regional trade and enhanced access to finance for SMEs and corporates

Strengthening institutions and rebuilding better

- **Egypt Greater Cairo Air Pollution and Climate Change Project** addressing air pollution and climate impacts and piloting e-mobility transformation
- **Tunisia First Resilience and Recovery Emergency program** strengthening resilience, enabling private sector recovery, and improving SOE transparency
- **IFC increased limits for trade finance lines** under the Fast-Track Facility
- **IFC municipal loan to Fes-Meknes Region (Morocco); investment to Metito water company (Egypt)** under the COVID-19 Fast Track Facility
- **IFC advisory services to help commercial banks and the Central Bank of Djibouti** conduct stress tests
- **IFC envision selective investments** to support Oman address the impact of COVID-19, diversify the economy, and transition towards a more climate-friendly, greener economy



Supporting structural reforms, governance, and service delivery to restore trust

Advancing structural reforms

- ✓ Egypt: supporting policy reforms on trade facilitation, access to finance, regulatory barriers facing women, fintech
- ✓ Jordan: supporting policy reforms and macroeconomic stability
- ✓ Tunisia: supporting policy reforms to improve SOE transparency and efficiency
- ✓ Morocco: supporting digitalization and financial inclusion
- ✓ GCC: RAS engagements strengthening PFM and supporting civil service reforms

Strengthening governance

- ✓ Supporting legal framework for the justice sector; strengthening administrative justice; promoting alternative dispute resolution mechanisms and insolvency reforms
- ✓ Rule of Law and Justice country diagnostics in Tunisia, Morocco, Egypt; political economy analyses to identify development bottlenecks
- ✓ PFM reforms and improving public procurement regulatory frameworks

Advocating data transparency

- ✓ Filling urgent data gaps through primary data collection and dissemination
- ✓ Surveys on poverty, labor force, and enterprises
- ✓ TA to facilitate greater use of administrative and big data
- ✓ Supporting evidence-based policymaking
- ✓ Implementing e-procurement and promoting open contracting

Improving service delivery

- ✓ Expanding access to quality services for persons with disabilities (Iraq, Yemen)
- ✓ Strengthening local governments' role in delivering services and better engaging with citizens (Tunisia, Morocco, Jordan, Egypt, West-Bank and Gaza)
- ✓ Investing in slum and urban upgrading and post-disaster reconstruction (Djibouti, Yemen, Iraq, Lebanon); participatory infrastructure reconstruction and service delivery
- ✓ IFC support for subnational governments on infrastructure services (Jordan, Morocco)
- ✓ MIGA support for private sector electricity distribution services in Lebanon

Knowledge and evidence supporting the agenda

Lebanon Rapid Damage & Needs Assessment and 3R Framework

- Prepared in the immediate aftermath of the Port of Beirut explosion, the Lebanon RDNA is a comprehensive framework for **Reforms, Recovery, and Reconstruction**
- The RDNA was prepared with local and international partners and underpins the government's reform agenda





Building and protecting human capital

Addressing the learning crisis

- ✓ West Bank and Gaza multisectoral Early Childhood Development (ECD) project
- ✓ Lebanon focus on ECD to improve learning
- ✓ Morocco education and governance reforms; universalizing pre-school education
- ✓ Jordan ECD social impact bonds; supporting private schools licensing reform
- ✓ IFC support to Luminus College in Jordan

Building 21st-century skills

- ✓ Egypt education reform for 21st century skills; employability assessments for universities
- ✓ Tunisia Youth Economic Inclusion Project and Morocco skills ASA
- ✓ Saudi Arabia human capital formation RAS

Strengthening health systems

- ✓ Egypt health system improvement and insurance reforms; reproductive health support
- ✓ Djibouti Improving Health Sector Performance Project
- ✓ Libya health sector support
- ✓ IFC equity financing to Humania in Egypt, Morocco
- ✓ Saudi Arabia RAS on health systems
- ✓ Lebanon and Tunisia COVID vaccine support programs
- ✓ IFC supporting private investments (direct investments, Global Health Platform)

Modernizing social protection

- ✓ Morocco and Tunisia social protection programs
- ✓ Egypt Takaful and Karama program
- ✓ Yemen essential services, cash for work
- ✓ Lebanon e-food cards, conditional cash transfers
- ✓ IFC Women Employability and Economic Participation Advisory program

Knowledge and evidence supporting the agenda

MENA Human Capital Plan

- The MENA Human Capital Plan is a results-focused, country-based framework for expanding investments in early childhood development, eliminating learning poverty, reducing the impact of NCDs and illnesses caused by environmental factors, and protecting vulnerable groups
- The Plan will be updated to respond to the challenges of COVID-19





Supporting jobs and economic transformation ...

Promoting competitive markets

- ✓ Modernizing regulations to spur innovation
- ✓ Encouraging competition by creating space for new market entrants
- ✓ Strengthening commercial courts
- ✓ Jordan: Youth, Technology, and Jobs Project

Accelerating digital transformation

- ✓ Digital platforms for vaccine registration, follow-up and monitoring
- ✓ Doubling broadband access by 2022, increasing digital payments
- ✓ Advisory support for digital reforms in Egypt, Tunisia, Jordan and West Bank and Gaza
- ✓ Supporting local platforms for e-commerce
- ✓ Morocco digital and financial inclusion policy operations; Saudi Arabia e-government RAS; Egypt EASE IPF - digitalization to simplify industrial licensing and land allocation
- ✓ Digital finance services to financial institutions and Fintech accelerators
- ✓ Ureed digital employment for women in Jordan; IFC National Broadband Network

Supporting entrepreneurship

- ✓ Morocco Financing Innovative Startups and SMEs Project; Egypt Catalyzing Entrepreneurship for Job Creation Project; Tunisia GovTech project
- ✓ IFC loan to support Egypt disruptive platform
- ✓ “Start-up Mashreq” and “Start-up Maghreb” Entrepreneurship programs
- ✓ Flat6Lab accelerator support in Egypt and Tunisia

Facilitating regional cooperation

- ✓ Technical support for Pan-Arab Regional Energy Trade and Tunisia-Italy interconnector
- ✓ Iraq Transport Corridors Project
- ✓ Djibouti regional connectivity programs as part of the Horn of Africa Initiative
- ✓ MIGA in discussions to support a GCC-Iraq electricity transmission line
- ✓ MIGA support to Trade and Development Bank to facilitate MENA-Africa regional trade

Knowledge and evidence supporting the agenda

MENA Technology Initiative to Support Digital Transformation

MENA Tech Initiative

Regional goals established by WBG

- ✓ Doubling access to broadband
- ✓ Increasing cashless payments
- ✓ GovTech and promoting opportunities for youth and women

Timeline

- ✓ 2022 Annual Meetings

Approach

- ✓ MENA regional goals + customized goals per country
- ✓ Regionwide webinars with regulators, private sector, civil society, youth and women’s groups to increase and maintain momentum for Marrakesh



Reaching New Heights:
Promoting Fair Competition in
the Middle East and North Africa



Unlocking Digital Transformation



... and working as one WBG to create markets

Supporting private investments and transformation in key sectors

Regional: IFC Prospect Partnership for Forced Displacement (Jordan, Lebanon and Iraq), in collaboration with the Bank, UNCHR, UNICEF, and ILO

Morocco: WB Financial and Digital Inclusion program

Morocco: IFC loan to the Casablanca Region for the two new tramway lines and a regional roads program (first commercial financing at subnational level in Morocco)

Morocco: IFC loan for the Fes-Meknes Region for road improvement, extension, as well as COVID-related expenditures

Morocco: WB Municipal Performance Program supporting integrated territorial development

Egypt & Morocco: IFC / WB SOE Reform Action Plans

Tunisia: IFC advising ONAS to attract private sector participants for operations and maintenance of sewerage infrastructure

Tunisia: WB Resilience and Recovery Emergency program

Upstream WBG engagement in **Egypt** to support reform implementation in key INF sectors (e.g., energy, railways, telecom, water, and solid waste management)

Regional: MSME 2.0 – IFC, in collaboration with WB, addressing barriers to financial inclusion and access to finance for MSMEs

WB&G: IFC 25 MW of rooftop Solar PV capacity using 500 public school rooftops (collaboration with WB)

WB&G: WB Strengthening Fiscal Stability and Financial Integrity DPF

Egypt: MIGA support for new investors under the Egypt solar FiT program

Djibouti: MIGA guarantees for the 60MW Ghoubet Wind Project

Djibouti: IFC ongoing upstream engagements to create markets in the Telecom and Energy sectors, in close coordination with WB

Jordan: IFC supporting expansion of the Jordan National Broadband Network on a PPP basis

Jordan: IFC advising on a new Project Pipeline Development Facility initiative to increase private sector participation

Jordan: IFC feasibility study to relocate the Irbid Central Market with potential IFC investment in the Greater Irbid Municipality

InfraSAPs supporting transport connectivity in **Jordan** and **Iraq**; TA supporting MFD in **Jordan's** road sector

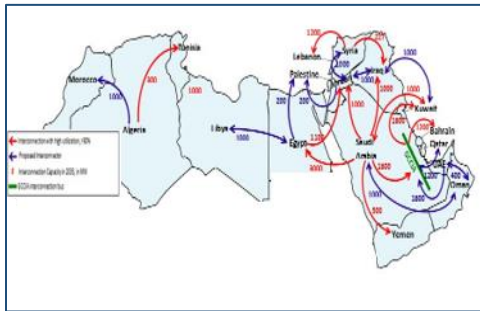
Saudi Arabia: Support for PPPs and associated reforms



Facilitating regional cooperation

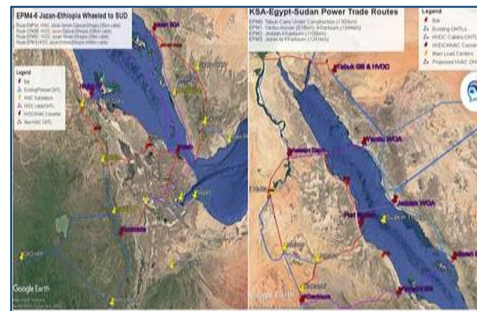
Supporting new supply chains and green, sustainable, and inclusive growth

Strengthening connectivity, supporting transitions to low-carbon economies, and facilitating PCM and market integration



The **Pan-Arab Electricity Market (PAEM)** has identified priority investments to optimize MENA's generation sources by 2035 that can:

- ✓ Save \$89 billion in system costs
- ✓ Increase the share of renewables by 18 percent
- ✓ Mobilize \$88 billion in private investments in renewable energy



The **Saudi Arabia-Ethiopia Electricity Transmission Interconnection** will help:

- ✓ Unlock greater energy transitions potential between Africa and MENA
- ✓ Contribute to substantial economic and financial benefits
- ✓ Support the Horn of Africa Initiative and other regional priorities



The **Africa Continental Free Trade Area (AfCFTA)** will connect 1.3 billion people across 55 countries with a combined GDP of \$3.4 trillion. The AfCFTA will help:

- ✓ Reduce tariffs and non-tariff barriers
- ✓ Reshape markets
- ✓ Boost output in key sectors (services, manufacturing)
- ✓ Tunisia and Egypt have ratified the AfCFTA



IFC facilitating South-South investments in the MENA by engaging with GCC-based companies to support cross-border transactions:

- ✓ Financing to Humania, to develop a network of tertiary hospitals (Egypt and Morocco)
- ✓ Investment to Metito water company (Egypt)
- ✓ Co-investment vehicle alongside BECO, to investments in high potential startups across the MENA



Advancing gender equity ...

Deepening country engagement

- ✓ WB/IFC Mashreq Gender Facility
- ✓ Maghreb EmpowerHer Initiative
- ✓ IFC Banking on Women program
- ✓ Strong gender dimensions in Djibouti and Tunisia CPFs
- ✓ Systematic framework approach to gender in GCC

Supporting reforms

- ✓ Supporting reforms in laws and regulatory frameworks (reforms in GCC countries, public transform reforms in Jordan)
- ✓ Country-level analysis supporting legal amendments, policy reforms
- ✓ Projects and activities helping to identify gender gaps and measure women's economic opportunities

Strengthening data and evidence

- ✓ Launched MENA Gender Innovation Lab (ongoing research: Egypt, Tunisia, Yemen)
- ✓ Regional reports on gender produced and disseminated
- ✓ Increased focus on behavioral science-informed analytical work and interventions

Managing knowledge

- ✓ 100% of projects "gender tagged" (FY19, FY20), up from 73% (FY18), 68% (FY17)
- ✓ Promote gender reforms across operations preparing gender operations
- ✓ Strengthening focus on gender during project implementation
- ✓ Regional Gender Focal Points (CMUs, GPs) and Regional Gender Team
- ✓ MIGA launching its first Gender Action Plan and integrating gender into its business operations

Knowledge and evidence supporting the agenda

MENA Gender Action Plan (FY18-23)

ECONOMIC EMPOWERMENT

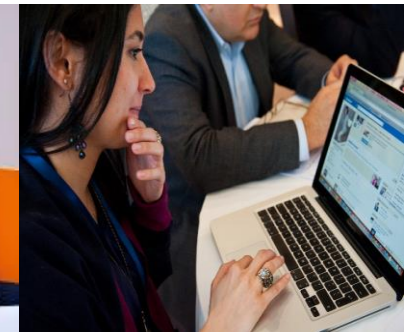
- ✓ Labor force participation
- ✓ Financial inclusion, asset control and ownership
- ✓ Entrepreneurship

WOMEN'S VOICE AND AGENCY

- Inclusion
- Participation
- Engaging men and boys

GENDER AND CONFLICT

- ✓ Gender-based violence
- ✓ Refugee/IDP and gender issues
- ✓ Women in recovery and reconstruction





... and supporting gender-smart policies and programs across MENA

Using knowledge, lending, and advocacy to advance policy reforms

MENA Gender Innovation Lab launched FY19; conducts experimental research through 4 impact evaluations to increase knowledge of what works to increase economic opportunities for women.

MENA Regional GBV Action Plan will enhance knowledge and understanding of GBV in MENA and identify entry points for increased engagement and support to client countries addressing GBV.

Morocco CAT DDO addresses women's career constraints in Morocco Civil Protection (CP) through merit-based hiring, standardized promotion system. Increased female representation in Morocco's CP is expected to improve its operational versatility.

Maghreb #EmpowerHer experts, government institutions, women's associations, and partner agencies came together to define and select main problems faced by women, that were tackled by tech-savvy youth through hackathons.

Jordan Equitable Growth and Job Creation DPF addresses constraints to women's economic activity: flex work arrangements, types and hours of employment, sexual harassment codes of conduct public transportation and at the workplace, streamlined licensing process for home-based businesses.

Mashreq Gender Facility: Five-year WB/IFC facility (2019-2024) that provides TA to Iraq, Jordan and Lebanon to strengthen the enabling environment & enhance women's access to economic opportunities; Iraq CEM and HD PER

Egypt Takaful and Karama cash transfer programs have covered 2.26 million households, 88% of beneficiaries are women. Beneficiaries receive pre-loaded smart cards that boost financial inclusion and decision-making while improving household consumption.

Saudi Arabia, with TA from the Women, Business and the Law team, made the biggest improvement globally in lifting legal restrictions for women's economic empowerment, enacting reforms in six out of eight areas measured between 2017 and 2019

West Bank and Gaza Partnership for Infrastructure Development MDTF supports activities to ensure women benefit from INF and SD projects.

Kuwait Country Engagement Framework links national development objectives with a focus on promoting an enabling environment for women's private employment, entrepreneurship, and leadership.

Yemen Emergency Health and Nutrition Project has benefited 120,339 women with nutrition services and is expanding income support to 9+ million people, of which 30 percent are women.

Djibouti Support for Women and Youth Entrepreneurship contributes to the development of an e-commerce platform enabling women entrepreneurs to access markets.



Mitigating risks by addressing drivers of fragility

Promoting social inclusion

- ✓ Promoting the inclusion of conflict-affected youth
- ✓ TA to reinforce institutional capacity to manage and respond to security-development nexus challenges, explore new approaches to disarmament, demobilization, and reintegration (DDR); assess drivers of fragility
- ✓ MNA Gender-Based Violence Action Plan
- ✓ MNA FCV Action Plan to support implementation of the WBG FCV strategy
- ✓ Supporting lagging regions

Supporting refugees and IDPs

- ✓ Mashreq Displacement Framework; Djibouti Integrated Slum Upgrading Project
- ✓ Ongoing support for Syrian refugees in Jordan and Lebanon through GCFP
- ✓ Economic Opportunities for Jordanians and Syrian Refugees Program
- ✓ IFC aim to double yearly FCS commitments by 2024 and build a portfolio aimed at supporting forcibly displaced people

Facilitating reconstruction

- ✓ IFC building the capacity of local market intermediaries in Yemen to deliver advisory services and increase reach out to Yemeni private sector; early market scan for potential reform work in key sectors (e.g., coffee and fisheries in Yemen)
- ✓ IFC scaling FCV activities, including ramping-up upstream and advisory services agreements to unlock investment opportunities
- ✓ MIGA evaluating support for reconstruction of Iraqi transmission and industrial assets damaged by conflict

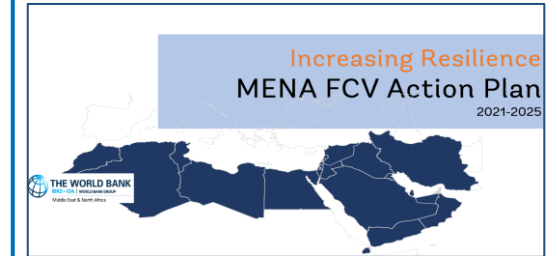
Providing analysis and advice

- ✓ Dynamic needs assessments in Yemen, Syria, and Iraq
- ✓ Economic analysis to support peace processes in Libya and Yemen
- ✓ Major studies on the economic and social costs of the Syrian conflict
- ✓ Building for Peace report on post-conflict reconstruction

Knowledge and evidence supporting the agenda

MENA FCV Action Plan (2021-2025)

- As part of operationalizing the WBG's FCV Strategy, the MENA FCV Action Plan sets out region-specific priority actions to increase resilience in fragile contexts
- Measures are based on MENA's unique FCV drivers and aim to consolidate, deepen, scale up, and transfer good practices across – and within – countries





Spurring a green, resilient, and inclusive recovery (GRID approach)

Investing in GREEN growth

- ✓ Investing in a blue economy and sustainable land and water resource management
- ✓ Leveraging mega-investments and labor-intensive works to upgrade existing infrastructure to sustainability standards
- ✓ Improving irrigation and landscape management systems; Mashreq digital agriculture and water cooperation ASAs
- ✓ IFC support for renewable energy (West Bank & Gaza, Egypt, Tunisia, Morocco); possible selective investments in Oman
- ✓ MIGA support for renewable energy (Djibouti, Egypt)

Strengthening RESILIENCE

- ✓ Improving drought management, land restoration, and urban and coastal planning
- ✓ Financial incentives to attract investment in green infrastructure and adopt climate-smart technologies; support to water supply (West Bank & Gaza)
- ✓ Reducing cities' exposure to natural hazards (e.g., floods, earthquakes); building ecosystem health and natural infrastructure to enhance resilience

Promoting INCLUSION

- ✓ Leveraging investments for sustainable tourism / ecotourism for livelihoods
- ✓ Protecting the most vulnerable to mitigate pre-pandemic inequalities
- ✓ Focusing on vulnerable populations to build long-term stability and enhance social and spatial inclusion; iterative beneficiary monitoring in Morocco

Advancing cross-cutting enablers

- ✓ Minimizing inefficiencies and promoting resource recovery in key services, infrastructure, and natural resource management
- ✓ Better use of public expenditures
- ✓ Morocco energy programmatic ASA supporting coal phase-out; Tunisia energy sector ASA support renewables

Knowledge and evidence supporting the agenda

MENA Climate Action Plan

- The MENA Climate Action Plan is a five-part approach to boost climate resilience by: i) raising climate co-benefits for IDA/IBRD lending; ii) increasing share of adaption co-benefits; iii) supporting policy reforms; iv) leveraging WBG instruments to support private investments; and v) enabling collective action
- The Action Plan is currently being updated for FY21-FY25



Strategic partnerships are delivering country-focused outcomes

Partner countries

- ✓ Deep dives (Japan, UK, Germany, France)
- ✓ Guarantees (UK, Saudi Arabia, UAE, Sweden), co-financing (UK, France, Germany, Japan)
- ✓ Trust funds (MENA MDTF, GCFF, IRRF, MENA Transition Fund, CMI)
- ✓ IFC partnerships with bilateral donors (Netherlands, UK, Sweden to support refugees, host communities, and MSMEs through advisory services and blended finance)
- ✓ MIGA partnering with donors on two trust funds: Conflict and Fragility Affected Economies Facility (CAFEF) (Canada & Sweden) and West Bank & Gaza Trust Fund (Japan)

Bilateral and multilateral funds

- ✓ MOU updates with Arab funds, IsDB
- ✓ Deep dives (EU, EBRD, AfDB), co-financing and coordination (EU, EIB, EBRD, AIIB, AfDB)
- ✓ Partner with UN agencies in FCV; water cooperation with UNESCWA, Kuwait Fund
- ✓ IFC MOU with ILO to promote joint technical activities and policy dialogue
- ✓ MIGA MoUs with the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and the African Development Bank; leveraging IDA PSW to support projects

Regional bodies

- ✓ IFI coordination platform on policy dialogue and project co-financing
- ✓ Luxembourg Group Meetings
- ✓ GCFF: Partnership outreach, coordination
- ✓ Partnership with the Arab League on water security; Pan-Arab Energy Trade

Philanthropies and private sector

- ✓ Dialogue with Chobani/Tent Foundation in Jordan
- ✓ Dialogue with Save the Children UK in Yemen
- ✓ Dialogue with Danish Refugee Council and the Norwegian Refugee Council in FCV
- ✓ Leveraging blended finance to enable greater engagement in IDA and FCS countries
- ✓ Government contracts with large foundations in Morocco for service delivery of ECD

Strategic fundraising to support regional priorities

MENA Trust Fund Reforms and Strategic External Funding Framework (FY22-FY24)

- Six umbrella programs established to support strategic alignment of regional and country programs
- Umbrella programs will focus on four key regional priorities: i) renewal of the social contract, ii) private sector development, iii) digital transformation, and iv) recovery and reconstruction in conflict-affected countries
- Global umbrella programs will be leveraged to support additional priorities such as gender, climate change, and data transparency



**Looking ahead:
FY22 and beyond**



**Middle East and
North Africa Region**



WORLD BANK GROUP

To avoid another lost decade, MENA countries must act now

The WBG will provide critical support to accelerate reforms, mitigate risks, and spur a green, resilient, and inclusive recovery

Restoring trust

- Transparency in policymaking can support the pandemic response and restore trust
- Rule of law and justice reforms can reduce corruption
- Strengthening local governments can improve service delivery and reduce inequality

Protecting human capital

- MENA's large youth population can be a tremendous source of innovation and transformation
- MENA countries can obtain greater efficiency from already-high levels of investments in human capital

Supporting jobs and transformation

- Rationalizing the role of the state and building competitive cities can create space for private sector-led growth and job creation
- Digitalization and e-procurement can level the playing field and support entrepreneurship and SMEs

Advancing gender equity

- Closing MENA's gender gap would have doubled economic growth in the past decade
- WBG support for reforms in laws and regulatory frameworks in countries can have positive spillovers across the region

Addressing fragility

- Investments in lagging regions can reduce inequalities and address drivers of forced displacement
- Reconstruction can support economic and social transformation in ways that support sustainable peace

Enabling green growth

- Green, Resilient, and Inclusive recovery (GRID approach) can create jobs and support new models of sustainable growth
- Smart infrastructure investments can be a lifeline to better health, better education, and better livelihoods



WBG supports medium-term reforms through knowledge and convening

In the lead-up to the 2022 Annual Meetings in Marrakesh, the WBG is preparing flagship reports to create momentum for reforms and showcase MENA's development agenda

Water security

Calling for innovations to promote water cooperation between countries and avert potentially disastrous consequences for livelihoods, peace, and stability

Land management

Assessing the economic, social and environmental costs of land misallocation and providing guidance for policy reforms to reduce land-related inefficiencies



Digitalization

Making the case for digital solutions that boost innovation, enhance competition, close ICT infrastructure gaps, and create more opportunities for MENA's youth and women

Labor markets

Examining how a lack of market contestability affects unemployment and identifying key reform areas that create jobs and a level playing field for the private sector

Migration and forced displacement

Looking at migration flows within, to, from, and through the Mediterranean Basin and policies aimed at regulating cross-border migration

Unlocking MENA's potential in the new decade

A previous decade of missed opportunities



The aspirations of the Arab Spring were frustrated by persistent development challenges across the region

Tapping into the energy of youth and women



Youth and women are MENA's greatest assets and its largest source of untapped potential



COVID-19 is a wake-up call to MENA countries that transformational reforms are urgently required



Transparent policymaking and competitive markets can help secure a green, resilient, and inclusive recovery