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
MNA STRATEGIC DIRECTIONS

STRATEGIC DIRECTIONS OF THE WORLD BANK MNA: REGION IN SUPPORT OF THE MIDDLE EAST AND NORTH AFRICA

The Middle East and North Africa (MENA) region covers a wide array of countries from Morocco in the West to Iran in the East with diverse economic and social characteristics. Each one of the countries has a long and rich history and strong individual features. A region-wide strategy is bound, by its very nature, to make generalizations that do not always do justice to the specific situation of a particular country. Nevertheless, a number of similarities as well as common challenges and opportunities do exist and constitute a good basis for general principles and overall guidance, which then needs to be adapted in what must remain country specific strategies. It is important to keep this caveat in mind while reading this strategy.

MENA IN BRIEF

With its strategic geographical location, abundance of human and natural resources, proximity to various dynamic markets and rich cultural heritage, MENA holds enormous potential for development. Its abundant mineral resources - the region holds 2/3 of world oil and gas reserves and accounts for 1/3 of world production - underscores its importance for the global economy and its stability. At the same time, MENA also faces difficult challenges; not least among them are the areas of political instability and international conflicts; scarcity of water resources and human and social development outcomes that have been below what is achieved by countries at similar levels of income.

Recent economic literature classifies MENA economies according to their natural resource and labor endowment. According to this classification the MENA region includes the resource poor labor abundant (RPLA) economies: Djibouti, Egypt, Jordan, Lebanon, Morocco, Tunisia and the West Bank and Gaza; the resource rich labor abundant (RRLA) economies: Algeria, Iran, Iraq, Syria and Yemen; and the resource-rich labor importing economies (RRLI): Bahrain, Kuwait, Libya, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE), in addition to Malta. While labor and resource endowments and progress in economic and social transformation constitute distinctive distinguishing features across MENA economies, the region faces a set of development challenges which are common to all the countries.

MENA covers 12 recipients of lending and knowledge support: Algeria, Djibouti, Egypt, Iran, Iraq, Jordan, Lebanon, Morocco, Syria, West Bank and Gaza, Tunisia, and Yemen - with per capita incomes that range from $760 (Yemen) to about $5,580 (Lebanon). In addition, 8 high-income developing countries (per capita incomes above $7,000) - Bahrain, Kuwait, Libya, Malta, Oman, Qatar, Saudi Arabia, and the United Arab Emirates - have access to the region’s fee-based advisory and technical assistance services. MENA is a predominantly middle-income region with mainly IBRD countries but also includes two IDA countries (Yemen and Djibouti) where World Bank support is guided by those countries’ poverty reduction strategies. In addition, under special financing arrangements, the World Bank provides significant reconstruction and development assistance to fragile states and conflict affected areas.

1 In the World Bank organizational listing MENA is the denomination of the World Bank Vice-presidency covering the countries of the Middle East and North Africa region (MENA). The MENA region includes Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, West Bank and Gaza and Yemen.
ECONOMIC REFORMS, GROWTH AND POVERTY REDUCTION IN MENA IN THE LAST 50 YEARS

Like many regions of the world, the MENA region followed in the 1960s a development paradigm based on the predominant role of the state as an economic actor and provider of social and welfare services to its population. This paradigm, which initially served the region well, came under increasing pressure as mounting fiscal costs and high protectionism led to severe internal and external imbalances.

In the late 1980s, after decades of state dirigisme, many of the economies of the MENA region committed to far-reaching programs of economic reforms. These reforms aimed to restore macroeconomic balances and help in the transition from state-led to private-sector led development.

The pace of reforms has varied a lot across countries and over time in each individual country but, on the whole, there has been a clear trend of improvement. The reform effort has contributed to better economic performances with region-wide GDP growth increasing from 2.4% a year during 1981-1990 to 3.6% during 1996-1999 and 4.9% during 2000-2004. Since 2005 annual GDP growth has leveled around 5.8%. Despite high growth of the population, per-capita growth also rose from 1.6% in 1996 to 3% in 2000-2004 and has averaged 3.8% a year in 2005-2007.

Two factors lie behind the improved growth performance. Reforms have pushed the share of the private sector in (non oil) GDP in many countries to levels (70 percent to 90 percent) comparable to those observed in OECD and emerging economies of Eastern Europe and Asia. Region-wide positive spillovers from the oil bonanza including to oil importing countries, in the form of increased labor remittances, foreign direct and portfolio investment, tourism receipts and aid have also contributed to boosting growth in several countries.

Economic growth has helped with poverty reduction, but its effect on poverty has weakened over time. In the nine years between 1981 and 1990 about 3% of the population in MENA moved out of extreme poverty. During that period, the proportion of people living under the

---

2 Excluding Iraq.
poverty line of $1.25 a day\(^3\) declined from 8.6% to 5.4%. In the next 15 years, between 1990 and 2005, poverty continued to fall, but by 2005 the proportion of people living under $1.25 leveled at 4.6%. During those 15 years just 1% of MENA’s people moved out of poverty compared to 3% in the 9 previous years. The same deceleration is observed for a higher poverty line of $2 a day. In 1981 as many as 28.7% of MENA population was below this line, and this proportion fell to 22% by 1990 - an over 6 percentage point reduction. The next 15 years, 1990 to 2005, produced a much smaller poverty reduction, from 22% to 19% - that is a 3 percentage point reduction.

This slowing pace in poverty reduction outcomes was accompanied by rapid population growth. As a result, the absolute number of poor has even increased during the same 15 years. In 1990, 12.2 million people in MENA were below the lowest international poverty line of $1.25. By 2005, this number had reached 14 million. Using the higher poverty line of $2 a day one sees the same worrying trend: an increase from 49.6 million in 1990 to 58 million in 2005. These average figures, however, hide tremendous variation across countries. And the MENA region still faces serious economic and social challenges despite its overall improved economic growth performance.

**CHALLENGES OF THE MENA REGION**

**Many Jobs are Needed for a Young and Rapidly Growing Labor Force**

MENA countries are at the absolute crest of a labor force surge, with labor force growth averaging 3.4% a year.\(^4\) During the 1990s, low rates of job creation, combined with the continued rapid growth of the population and increases in labor force participation, resulted in rising unemployment. By the end of the 1990s, 14% of the regional labor force was unemployed; a majority of the unemployed were young, new entrants to the labor markets, and many of them with higher levels of education.

---

\(^3\) Based on new World Bank data on purchasing power parities from the 2005 round of the International Comparison Program (ICP).

This situation reflected a variety of problems - low and volatile economic growth, rigid labor markets, insufficient and inadequate skills development vis-à-vis private sector needs, and higher reservation wages resulting from both high public sector employment and possibly also from remittances.

The sustained economic expansion of the last decade has paid off in terms of higher job creation, largely driven by the private sector. Since the turn of the century, unemployment rates have fallen in most MENA countries, whether oil importers or oil exporters, and by 2005, the regional unemployment rate had fallen below 11% of the labor force. This is all the more remarkable as labor force growth, driven by demographics and rapidly rising participation rates, especially among women, peaked during the same period. It is also an important development for a region in which job creation, especially for an increasingly educated population, has become the litmus test for economic performance.

Yet, despite this progress, the job situation in the region as a whole remains dire. Quality of job gains remain an issue and looking forward, it is important to accelerate the pace of job creation and improve job quality by focusing on reforms most likely to expand the range of good paying job opportunities. Currently, one in two persons of working age (between 15 and 64) does not have a job, but is either unemployed or not active in the labor market at all. In fact, the MENA region has the lowest share of employed workforce among developing (and developed) regions. And the short term outlook will undoubtedly be marked by the adverse impact of the global financial crisis on MENA growth and employment prospects. With the financial crisis working its way through the real economy worldwide, MENA exports, tourism, remittances inflows and FDI are likely to decline in response to the sharply reduced external demand and economic activity.

Better Business Environment and Governance Structures Are Crucial for Faster Integration, Sustained Rates of Economic Growth and Job Creation

The recent growth boom in MENA differed from previous episodes in that it was driven much more by the private sector resulting from good response to the reform efforts. Yet, the GDP growth acceleration of the last few years is not yet the reflection of a sustained and structural transformation of the economy. Whether gauged by the diversification of exports, their technological sophistication, the level and sectoral composition of private investment, or the
productivity and innovation of firms, MENA countries are far behind fast-growing countries in Eastern Europe and Asia. Also, MENA is well integrated in the global economy in terms of labor but still lags behind when it comes to non-oil trade and participation in global production networks. And economic growth, while high by MENA historical standards, is still the lowest among developing regions.

In addition, several signs point to the fragility of growth prospects: lower returns to private investment, low industrialization, poor export diversification and a concentration of investments in the non-tradable sectors such as tourism and telecom. MENA private sector does not exhibit the features that support sustained high economic growth in other regions: economic diversification, especially via exports, high private investment rates, and a dynamic process by which firms enter and exit the market.

This performance is to a large extent the result of discretionary implementation of policies leading to an unpredictable business environment and to an uneven playing field for investors. It is also the result of a lack of credibility of governments’ commitment throughout the region, to change the rooted status quo of privileges and unequal treatment of investors, which favor the established and hamper new entrants.

Similarly, notwithstanding greater policy-makers’ attention to reforming overall governance systems, and recent progress, MENA countries still have a long way to go. Recent years have seen a clear movement towards improving the performance of public administration. MENA is now on par with most other developing regions on overall administration reform progress. It is second only to Europe and Central Asia (ECA) in progress in improving the quality of public administration. And reform progress in public accountability from 2000 to 2007 is the highest among all developing regions.

Ranking in the index of public accountability is the lowest among all regions. MENA remains at the bottom of progress in overall business and regulatory reform in 2003-2007, and ranks far below other Middle Income Countries (MICS) in doing business indicators - an area where reforms are key to accelerating growth and job creation.
**Greater Inclusion for a Dynamic Economy and a Stronger Social Fabric**

The MENA region is tremendously diverse. It has hosted glorious ancient civilizations and is the origin of three of the world’s major religions; its mosaic of ethnic, religious and social groups - is a beautiful legacy of its rich history. Yet, the richness of traditions, culture and languages are not always nurtured to allow the region and especially its **minorities** to reap the full potential of its cultural heritage and diverse social fabric. In addition, specific groups suffer particularly from lack of opportunities.

**Women** are not fully empowered to better their quality of life and that of their families. Despite progress over the past few decades, many gender indicators are still among the worst in the world. For example, total fertility rates in MENA remain at 3.1 children per woman compared to 2.1 in East Asia and Pacific (EAP) and 2.5 in Latin America and the Caribbean (LAC). Illiteracy rates among adult females remain at over 45% - more than twice that of EAP, almost four times higher than in LAC, and very close to Sub-Saharan Africa (SSA). With regard to labor force participation, only 29% of women in MENA participate in the labor force. This is below South Asia (SAR) and LAC where the rates are between 34% and 35%, and SSA and EAP where the female share of the labor force is over 40%. Women in MENA are also hindered in terms of political and legal rights.

**Children and youth** constitute well over half the population of the MENA region. Currently, unemployment among youth in the region is the highest in the world, averaging more than 25% with many relatively well-educated first-time job seekers among them. School dropouts remain an important issue in many countries and there is general concern over the quality and relevance of education, while health risks affecting youth - namely obesity, smoking and sexually transmitted diseases - remain a worry. Migration within and outside the region is significant, with youth as its primary actors.

MENA needs to give specific policy attention to its youth, not only because they are currently so numerous but also because they must navigate far more of life's crucial transitions in a short time frame than any other age group. Youth experience critical transitions between the ages of 15 and 24 including going from school to work, forming families, taking responsibility for their own health, and becoming full citizens in their countries. Failure to navigate these transitions
in a productive and timely manner has potentially dire repercussions for both individuals and their society.

If properly nurtured, MENA youth could be an asset that can stimulate the economic and social development of the region as it did in other parts of the world: between 25 and 40% of the rapid growth that took place between 1965 and 1990 in Japan, Hong Kong (China), the Republic of Korea, and Singapore has been attributed to the higher growth of the working age population. Conversely, if investments are not made in youth, there is a risk that MENA’s current youth bulge may manifest itself as a drain on growth and society, rather than as a dividend.

In MENA, integrating people with disabilities more fully into society remains a challenge. Currently, they are denied social voice, their access to learning and job opportunities remains limited and full integration into social and public life remains a distant dream for most of them. Recent initiatives in both developed and developing countries illustrate the high potential many of the disabled possess for productive employment and social contributions, if they are provided with opportunities.

Conflict with its lot of suffering and violence continue to affect the livelihood of a large number of people in the Palestinian territories, in Iraq, in Lebanon, and in other areas, destroying crucial physical, social and institutional infrastructure, eroding human development gains of previous decades and raising poverty. Conflicts are also causing significant displacement of people within and across countries. They are also worsening the conditions of refugees and internally displaced people. Finally, they are straining resources and service delivery in the neighboring countries to which families flee to seek refuge from the violence and the disruptions to their lives.

MENA Must Be Prepared to Tackle Emerging Global Challenges

The current financial crisis and the global economic slowdown could worsen poverty. With a significant number of people living above but close to the poverty line, the vulnerability to poverty and the sensitivity of regional economies to external shocks are high. Overall, while less than 5% of MENA’s population lives on less than $1.25 a day, some 19% of the regional population lives on less than $2 a day. Poverty in the MENA region is a sad reality not only in
the poorest countries but also in the MICs. In Yemen and Djibouti, the share of the population subsisting on less than $1.25 a day exceeds 17% and over 40% live on less than $2 a day. In MICs such as Egypt and Morocco, less than 3% of the population lives on less than $1.25 per day but over 18% fall under the $2 poverty line.

Moreover, a considerable share of the population hovers just above the poverty line: in 2005, close to one fifth of Egyptians and Moroccans had per capita daily consumption falling into a narrow band between $2 and $2.50. This is as many as those who were under the $2 poverty line in these countries. Hence, a conceivable fall in their real daily consumption by over 50 cents would bring them under the poverty line and double the ranks of the poor. About 15% of Yemenis and Djiboutians are in the same 0.50 cents a day band. With such deep clustering of large proportions around the poverty line, even a moderate shock represents a serious risk to wider-scale poverty in many countries of the MENA region. In the context of poorly targeted safety nets, consumption vulnerability (the risk of falling into poverty) is high. This risk is heightened by the adverse impact of the current global financial crisis and its consequent global recession on MENA economies in the years to come.

Actually, the impact of the concurrent rise in the prices of both energy and food of mid-2008 did spotlight the region’s heavy subsidization of prices within domestic markets and the related tension between poverty vulnerability and fiscal sustainability. This issue particularly threatens fiscal positions for resource poor economies. In MENA, like elsewhere, extensive price subsidies distort the prices and use of commodities, divert large levels of resources from more productive use, and favor mainly the rich (especially fuel subsidies). Yet, price subsidies do reach the poor and play an important role in their livelihood. That is why reforming subsidies require as a prior putting in place effective and targeted social safety net programs.

**Climate change** is happening fast. By 2050, the global surface average temperature is expected to increase between 1 and 2 degrees Celsius; by the end of the century, the increase could reach 4 degrees. MENA will be one of the regions most affected by climate change. Water availability will decline further, while temperature will increase and drought frequency, already on the rise, could increase even further, potentially causing economic losses and human hardship and the displacement of millions of people.
In fact, new studies indicate that while the average rainfall worldwide is anticipated to increase only marginally, for the MENA region, the picture is quite different. The next century is likely to be marked by declining rainfall (-10 to -25% range); declining soils moisture (-5 to -10% range); declining run-off (-10 to -40% range); and increasing evaporation (+5 to +20% range). Each of these projections has serious implications for countries in the region. Already, increased rainfall variability in several countries has affected the fill rates of reservoirs, led to over-exploitation of groundwater, and adversely affected the welfare of very large farming communities.

**Water stress** and declining water availability is also likely to increase conflicts between rural and urban users of water, as well as between countries sharing watercourses. Finally, MENA’s greenhouse gas emissions are still low by global standards, but are rising fast, and countries may choose to actively participate in global mitigation efforts.

Climate change and water stress call for MENA countries to develop policies to adapt to new conditions. Such policies will require them to better manage scarce water resources, adapt their agriculture, and reduce exposure to floods in urban areas. Participation in climate change global mitigation efforts would require the pursuit of increased energy efficiency (in transport, industry, agriculture, households etc.), and diversification into renewable and other low-carbon energy production - initiatives that many countries are undertaking anyway for domestic reasons. Many of these policies will need collaboration at the global and regional level, both in terms of technical cooperation and financial transfers from developed to developing countries, such as Carbon Finance and the Climate Investment Funds arrangements.

**Global labor force and demographic imbalances** will affect MENA. Due to declining fertility and increased life expectancy, the coming decades will witness dramatic shifts in demographics and labor force across the globe. While the labor force in some regions of the world, including MENA and SSA, will continue to expand (for a total of about 570 million for the 14-49 age group by 2050), others, including China and the European Union, will face the challenge of increasingly old populations and a shrinking labor force (by over 215 million by 2050). These latter are likely to significantly accelerate recruitment from abroad to attempt to maintain their labor force at its current level. In many MENA countries, like in other parts of
the world, the skilled and highly educated workers may leave in high numbers attracted by better working conditions and higher income abroad.

In this context and in light of the increasing qualification requirements in global labor markets, the MENA region must improve the level of education and its quality and increase labor force participation (especially of women) in order to avoid significant “arms and brain” drain as large numbers of workers at the middle and high levels of the skills spectrum respond to better opportunities abroad.

STRATEGIC DIRECTIONS FOR THE WORLD BANK GROUP

MENA Goals and Objectives

Against this background, the World Bank Group (WBG) has a role to play in assisting governments and other stakeholders in their efforts to accelerate growth and increase job opportunities for a rapidly growing labor force, to empower women to play a more significant development role, and to constructively mobilize the aspirations of the young and disenfranchised.

Our main goal is to cater to our diverse set of clients to support their efforts to:

(i) Accelerate broad-based growth and job creation and their sustainability and enhance MENA integration with the rest of the world and its position as a global partner;

(ii) Improve inclusion of gender, youth, disabled people and minorities and enhance their participation in the economic and public sphere;

(iii) Reconstruct critical infrastructure and institutions for economic and social development in the areas suffering from conflicts.

In an increasingly volatile global environment, WBG plays a key role in supporting MENA countries address short-term global crisis such as the impact of the food and fuel crisis episodes that shook the world in 2008 and the ongoing financial crisis whose impact on the real economy is still unfolding. Equally important is the role WBG plays in helping MENA
countries prepare for longer term global challenges such as climate change or the consequences of aging populations and labor force imbalances, which will materialize in the next 40 years. In this context, the developments that are happening at the regional and global level call on us to broaden our approach in dealing with those issues to address their complex inter-relationships in a more effective way. More specifically, we believe that a broader nexus-based approach would enable us to better help MENA address the global challenges of:

(i) Climate change, water stress and natural resource management;
(ii) Vulnerability, oil and food subsidies and social protection and safety nets;
(iii) Education for global labor market, labor and job mobility and global demographic and labor force imbalances.

Lessons from Implementation of the 2002-2007 Strategy

Our 2002-07 strategy has served us well in providing the right services and assistance to our various clients. This is indicated by their increasing demand for our services and confirmed by the evaluation of our strategy that we carried out in 2008. Looking forward, we will build on the success we have achieved in the last five years and address areas where progress has been slow.

The evaluation of the 2002-07 Strategy (including feedback from our clients) confirm:

- We are responding better to the demands from our clients by offering them a larger and more balanced array of knowledge and lending services.
- The focus areas of our strategy were appropriate at the time and they are equally valid now. Our regional flagship reports helped build greater ownership of these key issues: public sector efficiency and governance; private sector development and employment creation; education for a global world; water resource management in a water-stressed environment; and equal gender opportunities.
- Our use of regional reports is allowing us to successfully address sensitive development challenges and frontier issues. Regional reports have proven to be effective to raise awareness and initiate dialogue on the above issues with a large number of stakeholders and facilitated tackling them through programs at the country level.
- Our teams are making notable efforts to use, to the fullest extent, the range of new Bankwide approaches and instruments, to the benefits of our clients. New procedures under the Bankwide simplification and modernization agenda were swiftly introduced in the region. However, progress in adapting national country systems to implement Bank projects was far more limited than we expected.

- Our efforts to strengthen partnerships with other development partners have led to increased collaboration in the preparation of Country Assistance Strategies, in the delivery of knowledge and financial services and in joint assistance to conflict areas. However, we need to step up collaboration with our regional partners - the Arab and Islamic institutions.

- Finally, despite progress in strengthening monitoring and evaluation capacity in borrowing client countries and advances in our own project and CASs, we have not yet established a solid framework for measuring the impact of our own regional strategy.

**A Customized Approach Based on Demand and Needs Assessments**

Our support programs will be guided by thorough and continuous assessment of regional challenges and opportunities coupled with detailed assessment of country needs and demands for MNA services, through the consultative approaches underpinning the preparation of country assistance/partnership strategies.

We will continue to adopt a regional approach to address sensitive cross-cutting challenges, which require intense awareness raising, consultations, and consensus building and learning from best practices. Regional approaches to such issues also facilitate and support dialogue at the country level. In this context, we will continue our work on the five focus areas we identified in 2002 as common challenges across the whole region.

Given the diversity of our clients and their needs, the support programs will be customized for each country. Under our country based assistance model, our programs will continue to span a broad range of sectors and areas of activity to thoughtfully address the specific development challenges and objectives of individual countries. All interventions are tailored to the specific challenges and issues each country faces and are developed in the context of the Country Assistance/Partnership Strategies.
With the exception of the poorest ones, most countries in MENA are on target to achieve the Millennium Development Goals (MDGs) for primary school completion, gender equality in school and child mortality. Yet, for other areas such as maternal mortality, HIV/AIDS and access to water and sanitation, the lack of reliable data precludes a serious assessment of the situation and progress for the large majority of MENA countries. With the rest of the Bank, we will strive to support the efforts of our client countries to achieve the MDGs, including by building the capacity to monitor progress.

**Our Assistance will be Guided by Two Key Operating Principles - Adaptation and Responsiveness**

We will adapt our assistance to our diverse client groups. Adaptation leads us to be better, faster and cheaper in our MICs. In our IDA countries where a large number of development partners pool their resources to lift people out of poverty, we will work hard to be “the glue” of external assistance by supporting strong coherent and coordinated reform and investment programs. In fragile and conflict affected areas, we will strive to be quick and flexible to deliver quality assistance under difficult and volatile conditions. In all, we will establish and expand the many partnerships needed to address regional and global public goods challenges.

We will continue to be responsive to the specific needs and demands of our various clients by varying the menu of knowledge and financial services and products; and by developing top expertise in line with the national and global development challenges they face. Responsiveness entails aiming at methodological and technical rigor, and the right balance of knowledge, relevance and timeliness. It also entails the willingness to innovate and to take measured risks to push the envelope of solutions to the challenging issues our clients face. Responsiveness also means the ability to respond rapidly. We will enhance our business processes to accelerate the processing of our knowledge and financial services to our clients and to provide rapid response and emergency support in fragile and conflict situations.

In doing so, we will build on our comparative advantages that include the back-up of a global institution, with access to information on best practices across the world; our ability to synthesize and draw inter-sectoral linkages; our strength in tapping into the highest-quality resources and the technical knowledge and commitment to development of our staff.
A Menu of Instruments to Achieve Results and Impact

The WBG will use a wide range of instruments and products to offer each country the most appropriate mix of instruments (financial, knowledge services and coordination services).

The MNA region will scale-up its lending services to the region. Our lending support will be guided by three priorities:

- supporting the reform momentum;
- scaling up and replicating successful innovative approaches in a variety of areas such as the reform of social safety nets, the alleviation of the pressures exerted by urban congestion on infrastructure systems and the environment, private/public partnerships in infrastructure;
- addressing regional and global public goods challenges.

In all areas, we will make deliberate efforts to enhance the knowledge content of our lending.

---

**BOX 2: THE WORLD BANK GROUP (WBG) SERVICE PACKAGE**

The services of the World Bank Group fall in three categories: finance, knowledge, and coordination.

**Financial services** encompass a widening range of products - loans, credits, equity investments, guarantees, sovereign risk and wealth management, and trust fund administration.

**Knowledge services** include country analytical work and technical assistance, global data and research, and gathering and dissemination of experience with implementing development projects in different contexts.

**Coordination services** include working with different partners to overcome failures of collective action (both in countries and in areas of global concern), providing vehicles for co-financing, and developing new products.

*Source: Meeting the Challenges of Global Development. The World Bank 2007*
Our support to **fragile and conflict-affected countries** will continue unabated and will benefit from our convening power, our role as a catalyst for donors resource mobilization, our experience with short-term needs assessment and reconstruction, and longer-term institution building and policy reform programs.

We will further develop our **fee based program (FBP)** to provide adequate services to our high-income clients, to those of our high and middle income clients, which do not need our financial support as well as our MICs clients who want to use our knowledge services in excess of what we can provide under our regular programs. The FBP will focus on strategic and programmatic (multi-year) support programs that address policy and institutional reforms and medium and long-term development challenges.

We will enhance the **knowledge relevance** of our lending and advisory instruments by focusing on policy reforms and the links between domestic issues and global challenges. We will focus on bringing best regional and global practices to our clients; strengthen south-south and south-north cooperation, and scale-up impact evaluation work.

Finally, building our client capacity will continue to be at the heart of our programs. In particular, we will intensify our support to our clients’ efforts to strengthen their national fiduciary and safeguards systems to increase our and other development partners’ reliance on national systems and better coordinate and harmonize development efforts.

In order to maximize the impact on the ground and demonstrate the effectiveness of development programs, we need to be able to **track and measure their results**. We have embarked in a series of capacity building efforts at the project/program level in many countries and will continue to build the necessary skills in all countries to track the achievement of MDGs, country outcomes, as well as our performance in supporting country priorities under our country assistance strategies and our projects. We need to continue to improve our result framework and develop an approach to better assess the validity of our strategic directions and the impact of our regional strategy.
Enhance Synergy in WBG support programs

To enhance the synergy in WBG support programs, we will work seamlessly with the other WBG units to offer assistance to public and private stakeholders in the widest possible range of social economic and financial issues through all three main elements of our service package (Box 2 above).

Over the last few years, we have developed a successful partnership model with the International Finance Corporation (IFC) - a collaboration which we intend to strengthen and expand. The model is based on the complementarities between our analytical work and policy dialogue to support reforms of the business environment and IFC’s advisory services (especially to medium and small enterprises) and investments in private ventures. The aim is to develop domestic and foreign private investment and encourage opening of economies, flow of technology and know-how via investments.

With the Multilateral Investment Guarantee Agency (MIGA) and IFC, we will further increase the synergies between private and public investments by using joint Investment Climate Assessments for complementary policy reforms, facilitating investment conditions through guarantees, especially for SMEs and South/South investment, including when appropriate, instruments that are consistent with Shariah principles.

MENA countries have extensive collaboration with the Bank’s Treasury, which helps clients derive the most value from a broad range of financial products, as well as transactional and advisory services. Within the context of the ongoing financial crisis, IBRD’s financial products, such as guarantees (to attract private sector investment), hedging instruments (to manage the volatility of commodity prices, currency rates and interest rates) will become increasingly more important to manage financial risks. Likewise, the new Catastrophe Deferred Drawdown loan (CAT DDO), which finances the costs of recovering from losses incurred in the aftermath of natural catastrophes, is likely to see much interest in the region.

We will continue to work closely with the World Bank Institute (WBI) to deliver greater operational, knowledge, advice and capacity building resources through our services and products.
The WBG will take full advantage of the avenues for collaboration offered by the various Bank units to enhance our support to MENA clients. In particular, the MENA region will systematically review and change practices identified as obstacles - in particular, internal procedures that do not add value and limit countries' demand for IBRD financial, advisory and risk management services. The region will also strive to provide a combination of global expertise, range of product services, attractive financial terms, and ability to catalyze assistance from other partners.

**Moving Closer to our Clients and Partners and Reaching out to all Stakeholders**

Over the last five years, we have **decentralized** more staff and decision-making to our country offices. We will continue to co-locate IBRD/IFC offices to reap synergy between IBRD/IDA and IFC services and products. We will continue to shift competencies to our field offices and increase our presence where our clients need us most, keeping in mind budget considerations and the need to maintain a critical mass of expertise in different locations.

We have also made tremendous efforts to **reach out** beyond our traditional interlocutors to those in civil society who are responsible agents of change. We have supported the development of women’s regional networks and we are making a special effort to reach out to the youth - a vibrant part of the society and a key force for peace and prosperity in a region beset by conflicts. We will continue to work with civil society using a wide range of tools, including the newest technological ones, to reach out to the largest extent possible. We will also double our efforts to support those demanding good governance with the objective of improving service delivery systems and mechanisms. We will continue to expand our Public Information Centers (PICs) in the region and strengthen our country offices’ communication and outreach.

**Forging Stronger Partnerships with Local, Regional and International Development Partners**

We have forged effective **partnerships** with many local institutions and stakeholders, regional organizations and international development partners and donors. We will also support building capacity in national and regional institutions, particularly those “Centers of Excellence” serving their countries and reaching out to regional partners. Looking forward, we
will also continue to work to build the Bank’s reputation as an effective and independent development partner in the region.

With our Arab and Islamic development partners, we are achieving greater joint focus on strategic priority themes such as education, youth, food, energy, water and trade through training, workshops, joint assessment missions, information sharing and common dialogue with countries. We are closely coordinating, including in infrastructure at the country and project level. We will intensify our collaboration with our Arab and Islamic partners through concrete joint activities under the Arab World Initiative, one of the six priorities of the WBG.

The WBG will continue to build on the strong partnerships with international donors such as the European Commission and the African Development Bank at the project and country level; the OECD on specific themes such as private sector development and governance; and with broad groups of other multilateral and international donors in our client countries.

Alignment of the MNA Strategy with the WBG Six Strategic Directions

Our strategy is fully backed by the six strategic directions of the WBG through their emphasis on:

- helping to overcome poverty and spur sustainable growth in the poorest countries;
- addressing the special challenges of states coming out of conflict or seeking to avoid breakdown of the state;
- developing a competitive menu of “development solutions” for MICs, involving customized services as well as finance;
- playing a more active role with regional and global “public goods”;
- supporting those advancing development and opportunity in the Arab World and
- fostering a “knowledge and learning” agenda across the WBG.

Our strategy is closely aligned with the priorities identified under the Arab World Initiative (AWI), which aims at strengthening development and opportunity in the Arab World by advancing the integration of the Arab world with the global economy and achieving faster
growth, better jobs, lower disparities, greater social inclusion, and better management of natural resources - especially water. This alignment with the AWI entails focus on regional dimensions, trans-boundary issues, and strengthened partnerships with regional institutions and development funds. It will also ensure closer coordination among WBG institutions - IFC, MIGA, WBI and the Africa region of the World Bank (AFR), which like MNA, covers several countries of the League of Arab states.

MNA strategy and AWI are fully aligned in their effort to push the envelope on difficult common development challenges in the Arab World. These challenges pertain to issues that could gain by being addressed at the regional level before they get tackled at the country level, would benefit from intensive international and cross country learning, or require tremendous consensus and capacity building before action can be taken. Both MNA strategy and AWI target high impact activities that are beyond the scope of our collective “business as usual” approaches so that the untapped opportunities could be put to work to improve the lives of the people in the Arab World. And partnership is a key element of both.