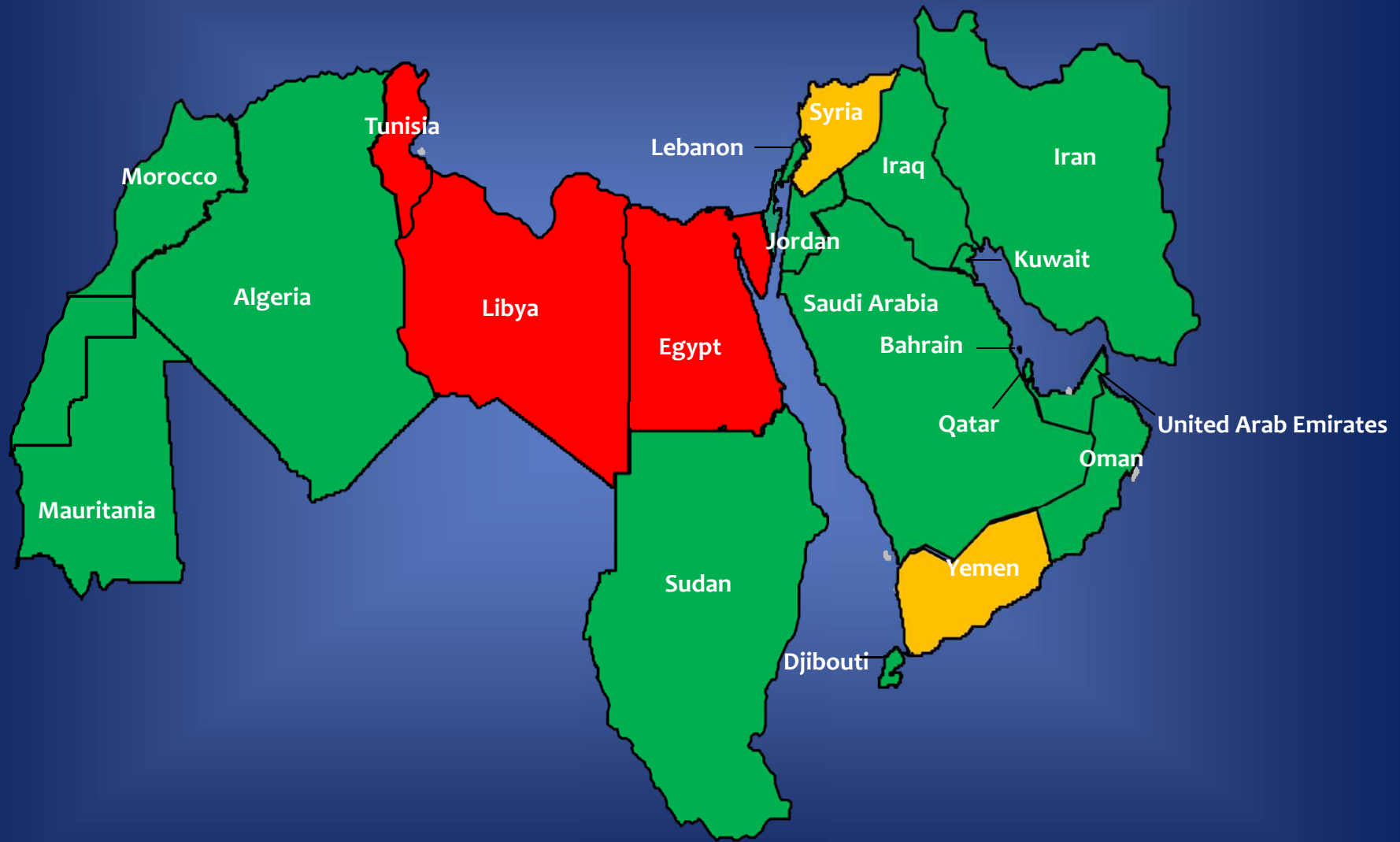


Socio-Economic Transformation in MENA: Challenges and the Role of the International Community



WIIW

Vienna, December 2011

Outline

- The Arab Uprisings and CESEE transition
- Key Economic Facts on MENA
- Arab Uprisings: Key Economic Challenges
- Role of IFIs

The Arab Uprisings and CESEE transition

- Multiple causes (domestic: political, socio-economic, youth bulge, external shocks: high commodity prices)
 - Different than the fall of the Berlin wall:
 - Capitalist economies (*prices and private sector play a role in the economy*)
 - Absence of a regional anchor (*accession to the European Union*)
 - Appetite for economic reform feeble (*negative perception of economic liberalization*)
- => MENA's economic transition could be bumpier than that of CESEE**
- Multiyear transition ahead—different outcomes in different countries
 - No return to the past—challenge to achieve positive outcome

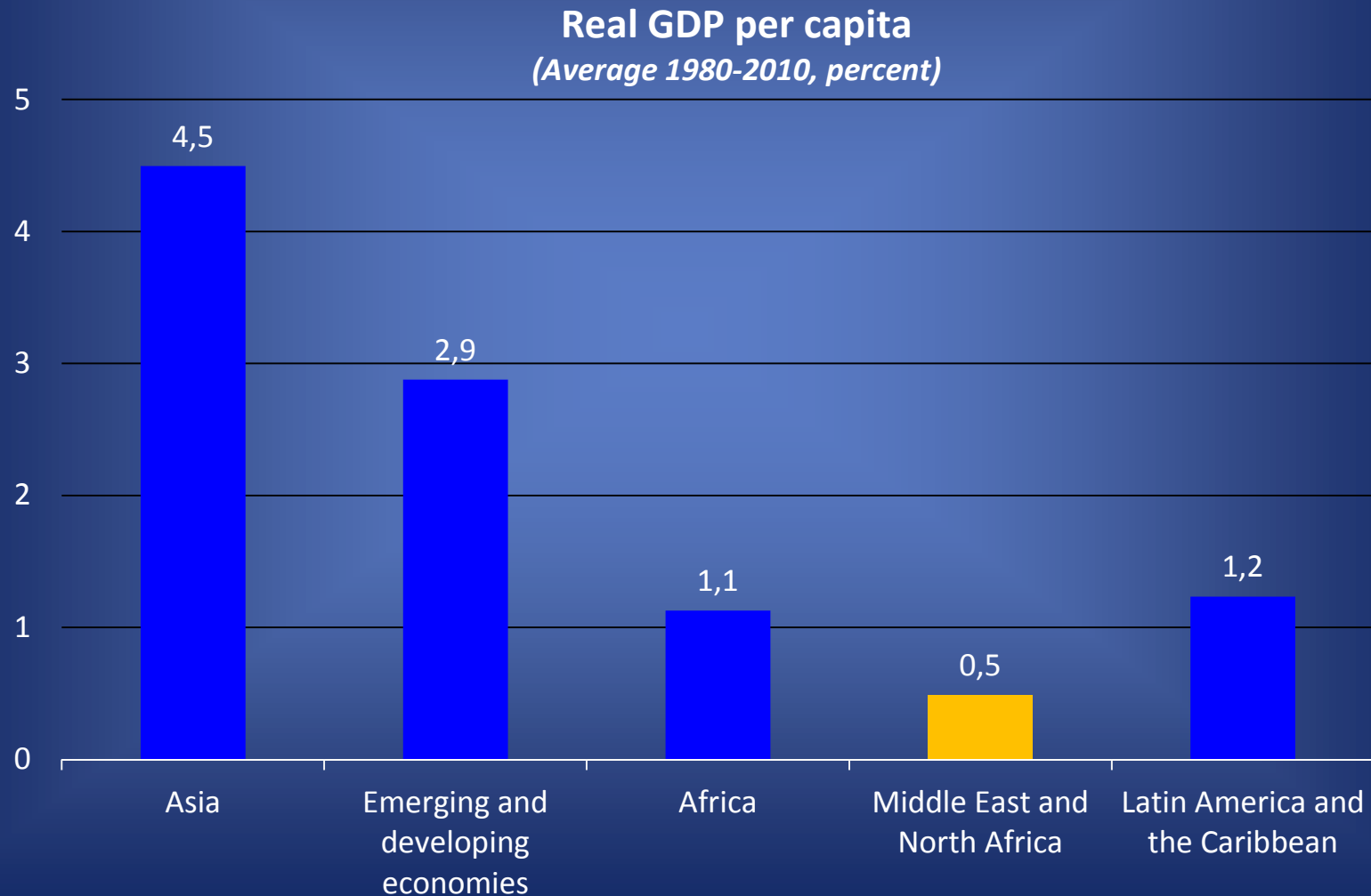
Lessons from the CESEE transition

- Transitions take a long period, with several set-backs throughout
- The easiest part may be getting rid of the old regime
- The appetite for change and the willingness to endure the pain of the transition can fade too soon
=> need for speedy action

MENA: Economic Performance Before the Arab Uprisings

- Macroeconomic stability (single digit inflation, declining debt/GDP)
- Low growth (average real GDP/capita= ½ percent in 1980-2010)
- High unemployment (10-12 percent over the last two decades in Egypt, Jordan, Lebanon, Syria, and Tunisia)
- Low trade integration (oil importers' total exports=28 percent of GDP in 2009, compared to 56 percent for Asia Pacific)
- Heavy state involvement in economic activity (acting as the employer of last resort)

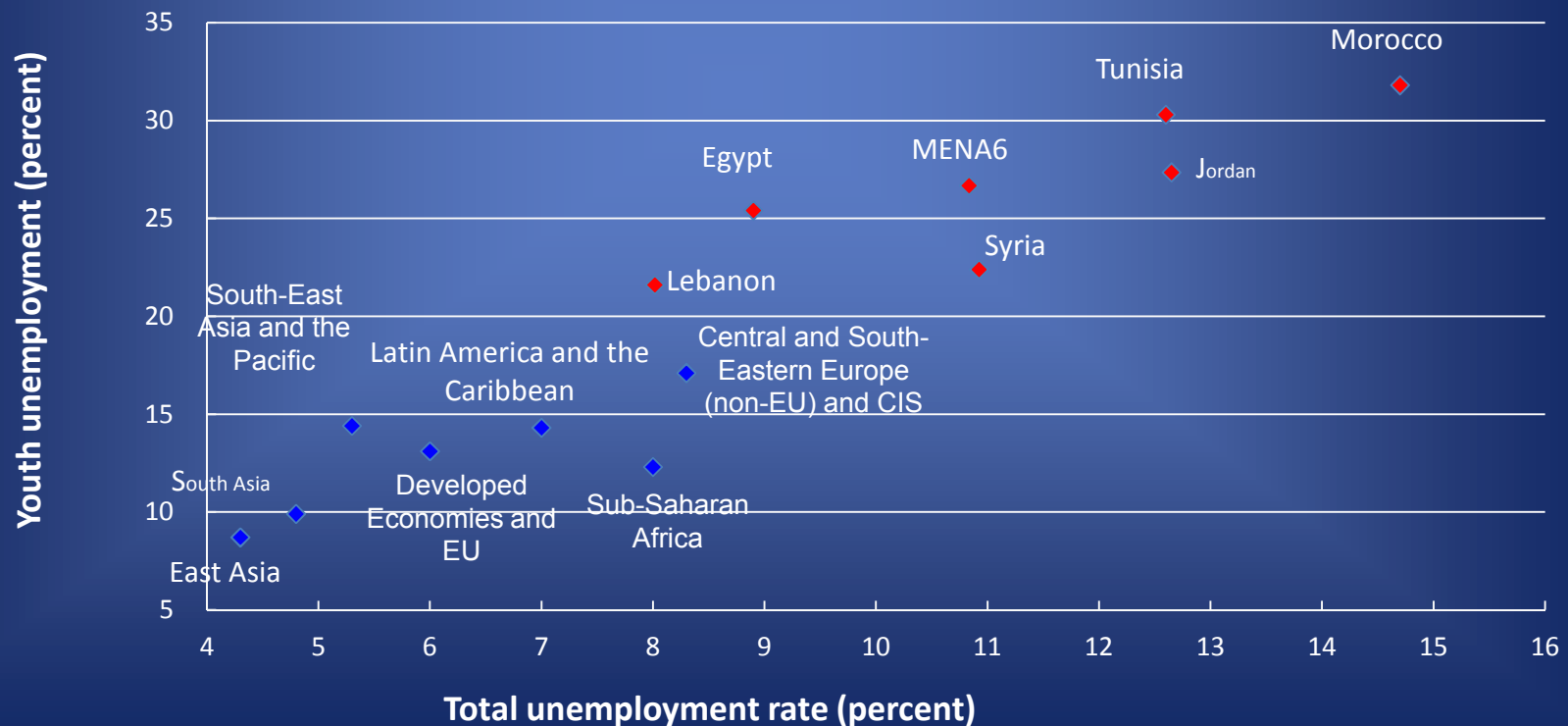
Per-capita growth falls behind all other regions



Source: IMF, World Economic Outlook.

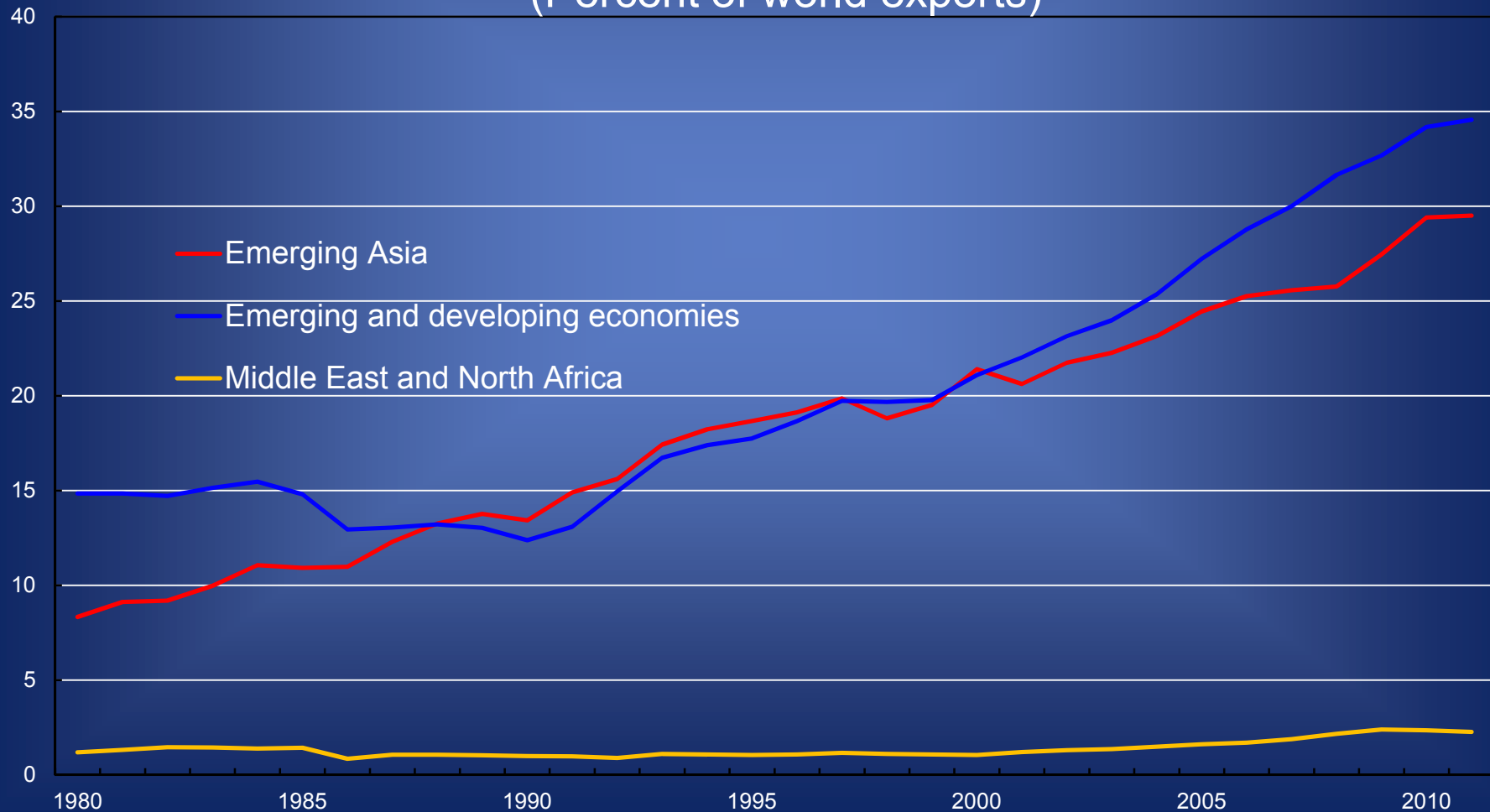
Unemployment is high and concentrated among the youth

Unemployment Rates by Region^{1,2}
(2008³)



MENA has not benefited from globalization

Exports of non-oil goods
(Percent of world exports)



Arab Uprisings:
Opportunity for an Inclusive Growth Agenda

Medium-term Challenge: Agenda for Shared Prosperity



Enabling Environment for Inclusive Growth and Job Creation

- Revisit the role of the public sector
 - Reduce waste
 - Phase out subsidies
 - Reorient public spending towards social services
 - Introduce more commercial approach to public activities
- Provide space for vibrant private sector
 - Improve business environment
 - Introduce competition
- Develop financial systems with a wider reach
- Foster trade integration
- Strengthen the functioning of labor markets

Role of the International Community

- Overcome suspicion of political interference
- Support homegrown economic transformation (financing, experience)
- Proactive, provide incentives:
 - Market access
 - Labor mobility
 - Credit guarantees
 - Concessional lending
- Partner with the region
- IFIs: assist countries in developing their national economic strategies; provide financing

What is the IMF doing?

- **Policy and technical advice**
 - Assessment of short-term financing needs of MENA oil importers
 - Close engagement with Egypt, Libya, and Tunisia
 - Focus of technical assistance on specific areas
- **Ready to provide financial support**
 - Ready to allocate around \$35 billion to the oil-importing countries in the region if requested
 - New Fund facilities
- **Multilateral engagement:** Deauville Partnership, EU, IFIs
- **Focus on inclusive growth in surveillance/analytical work**

Thank you