

Jobs, Growth and Governance in the Middle East and North Africa

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The 4 reports focus on areas of central concern to policy makers, researchers and outside observers:

•Unlocking the Employment Potential of the Middle East and North Africa: Toward A New Social Contract

•Better Governance for Development in the Middle East and North Africa: Enhancing Inclusiveness and Accountability

•Trade, Investment and Development in the Middle East and North Africa: Engaging the World

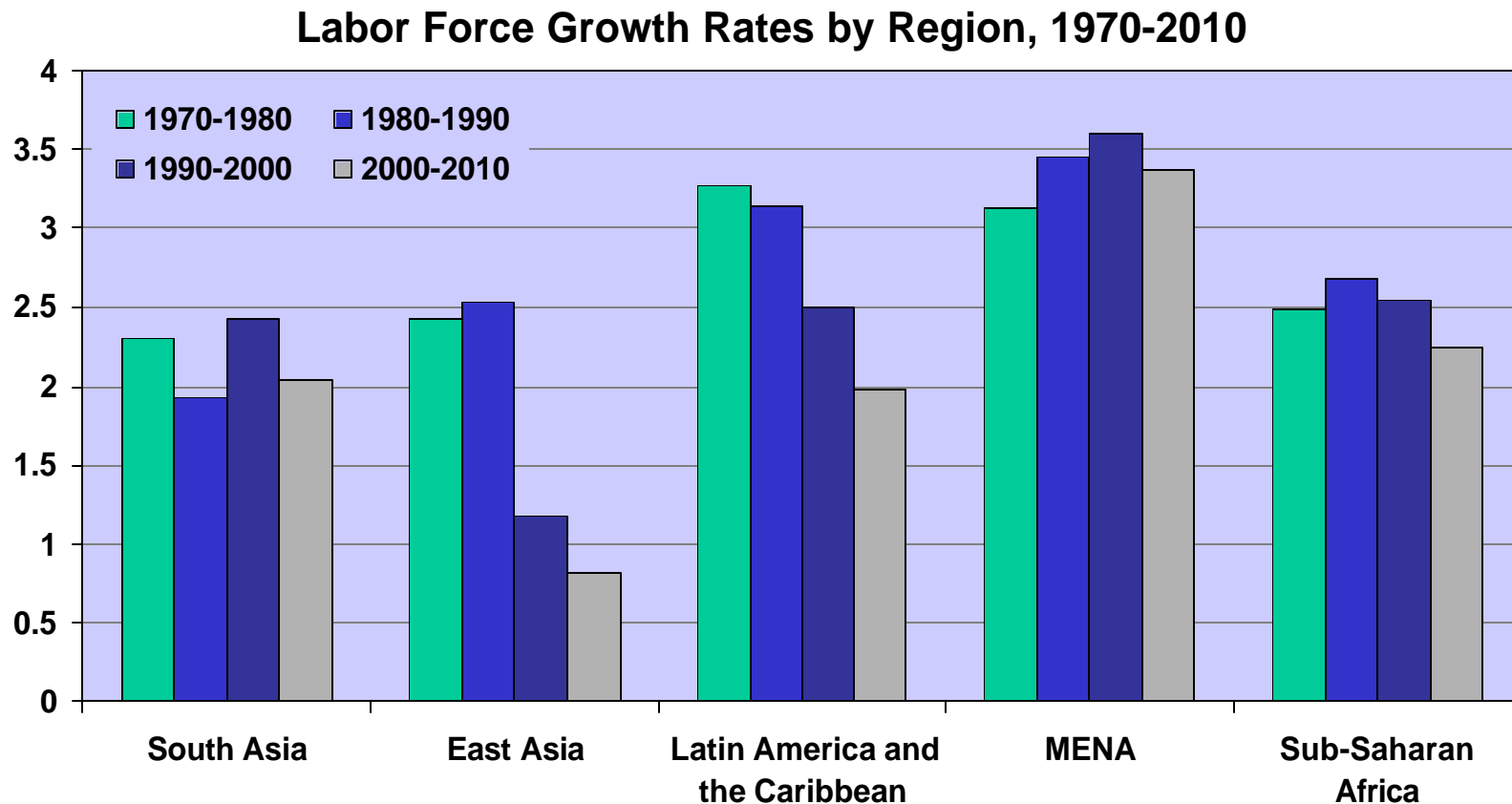
•Gender and Development in the Middle East and North Africa: Women in the Public Sphere

MENA's Employment Challenge

- **Creating 100 million new jobs by 2020 or doubling the current level of employment.**
- **In the next two decades the labor force will expand by 80 million new workers. The expansion of the labor force in the next two decades is equal to the cumulative increase over the period 1950-2000.**
- **Currently, the labor force is increasing by 4.2 million workers per year compared to 3.2 million in the 1990s and 2.1 in the 1980s.**
- **The current unemployment rate is around 15 percent affecting close to 20 million workers.**

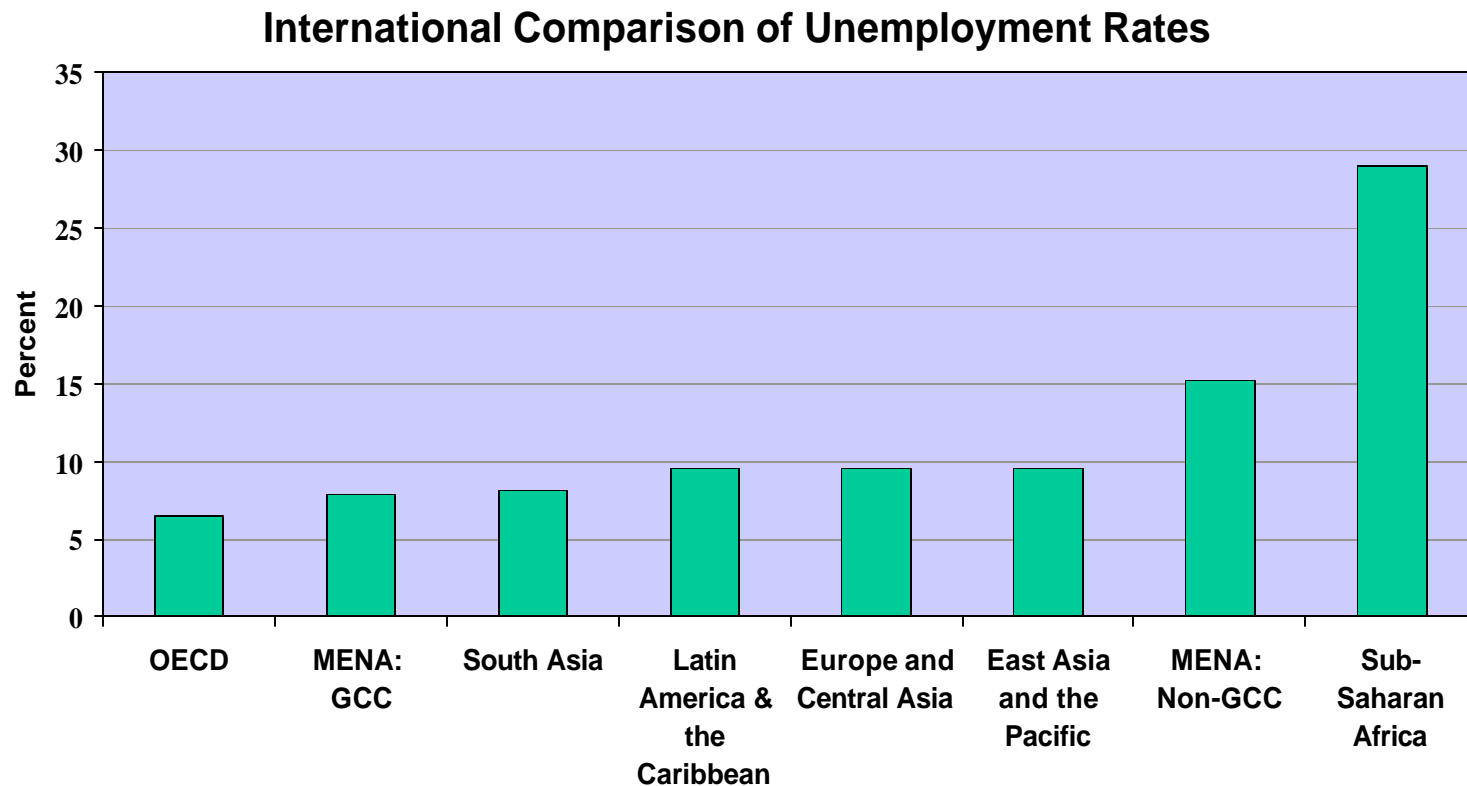
From Demographic Transition to Rapid Labor Growth

- **MENA's slow demographic transition has resulted in the highest and most persistent labor market pressures anywhere in the world in the past half-century.**

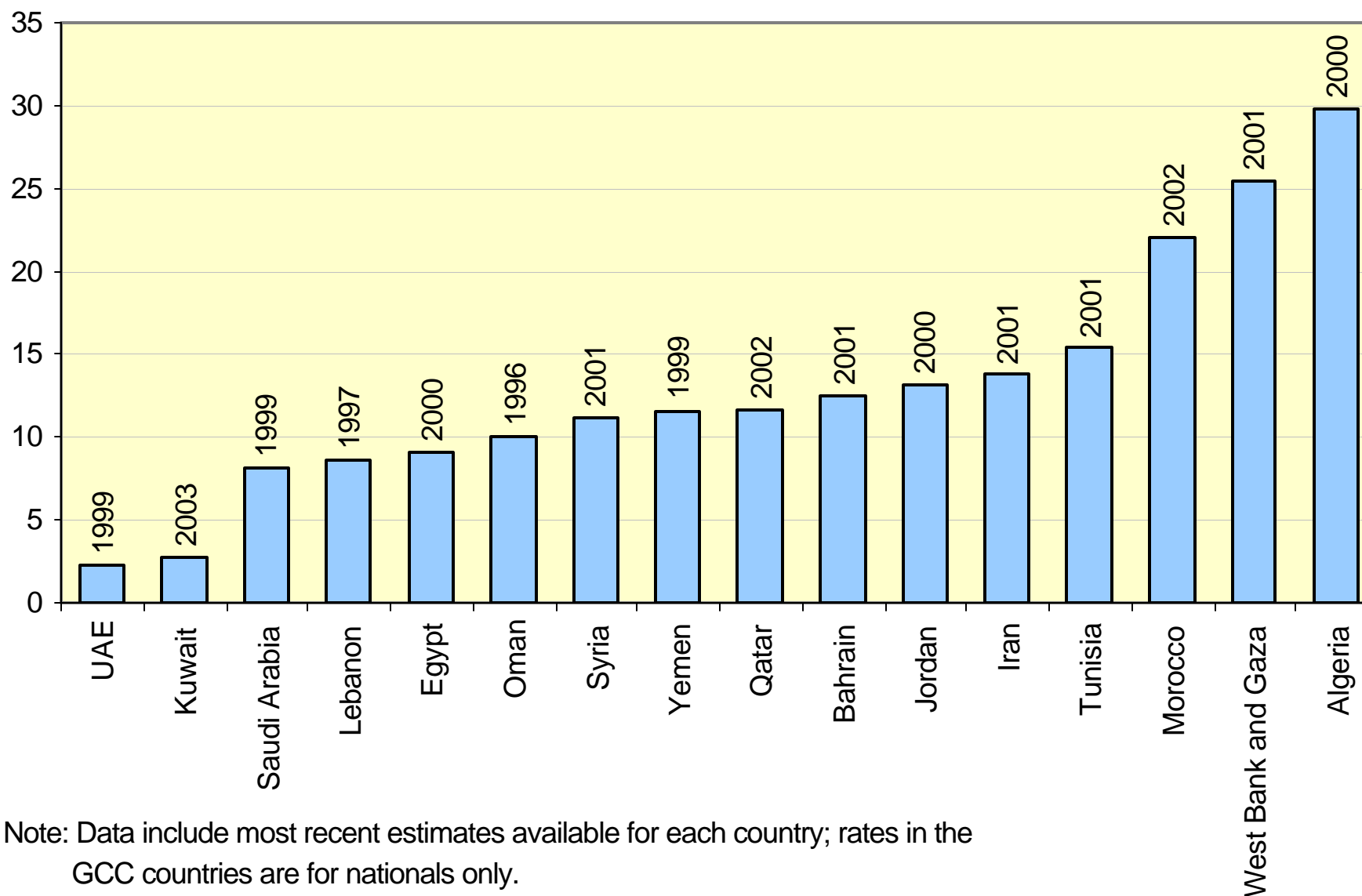


The Emergence of High Unemployment in the 1990s

- Employment growth in the 1990s fell short of labor force.
- Unemployment falls disproportionately on the youth.
- Unemployment rates tend to be higher for females.



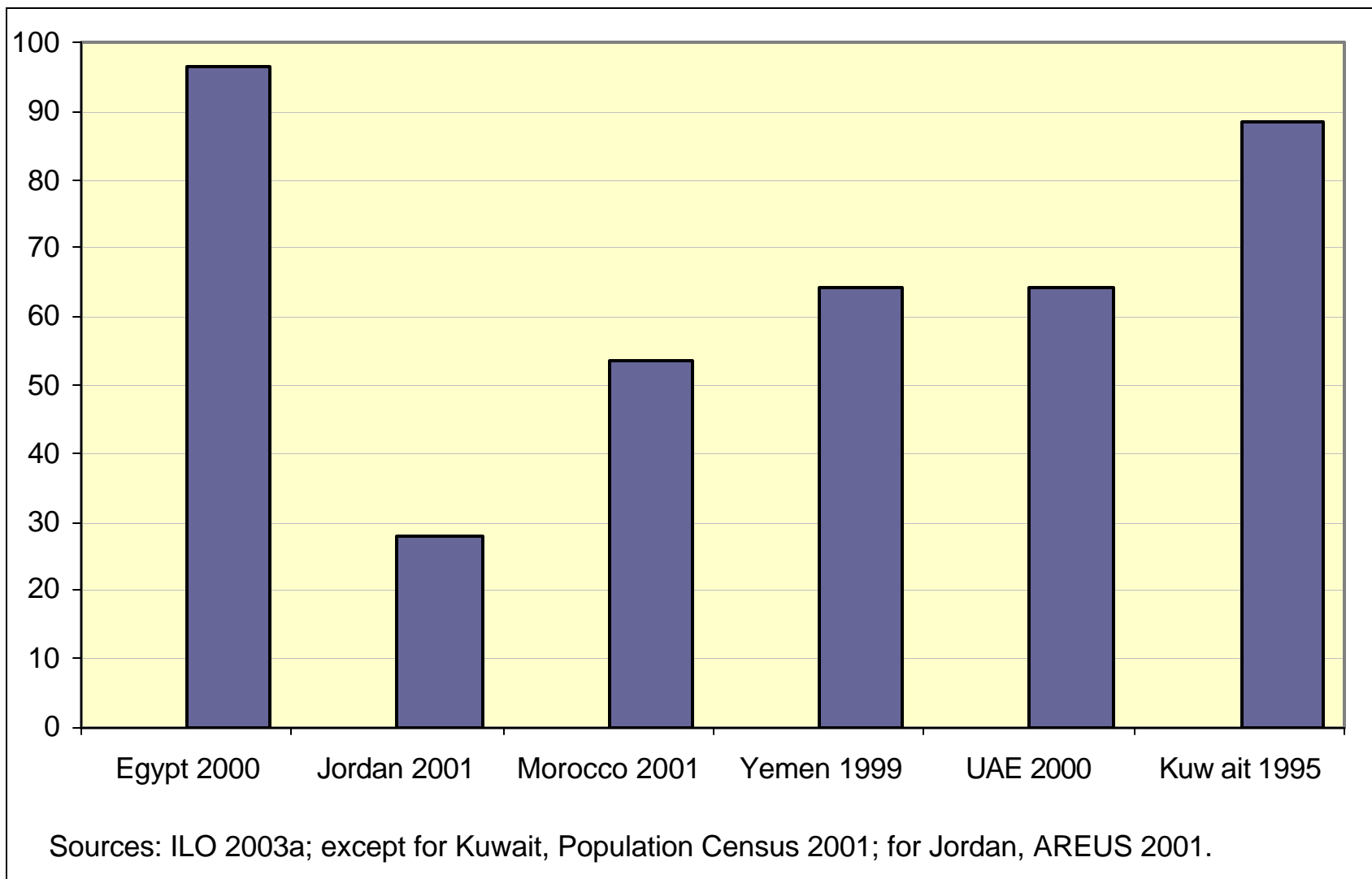
High Unemployment Rates in MENA countries



Note: Data include most recent estimates available for each country; rates in the GCC countries are for nationals only.

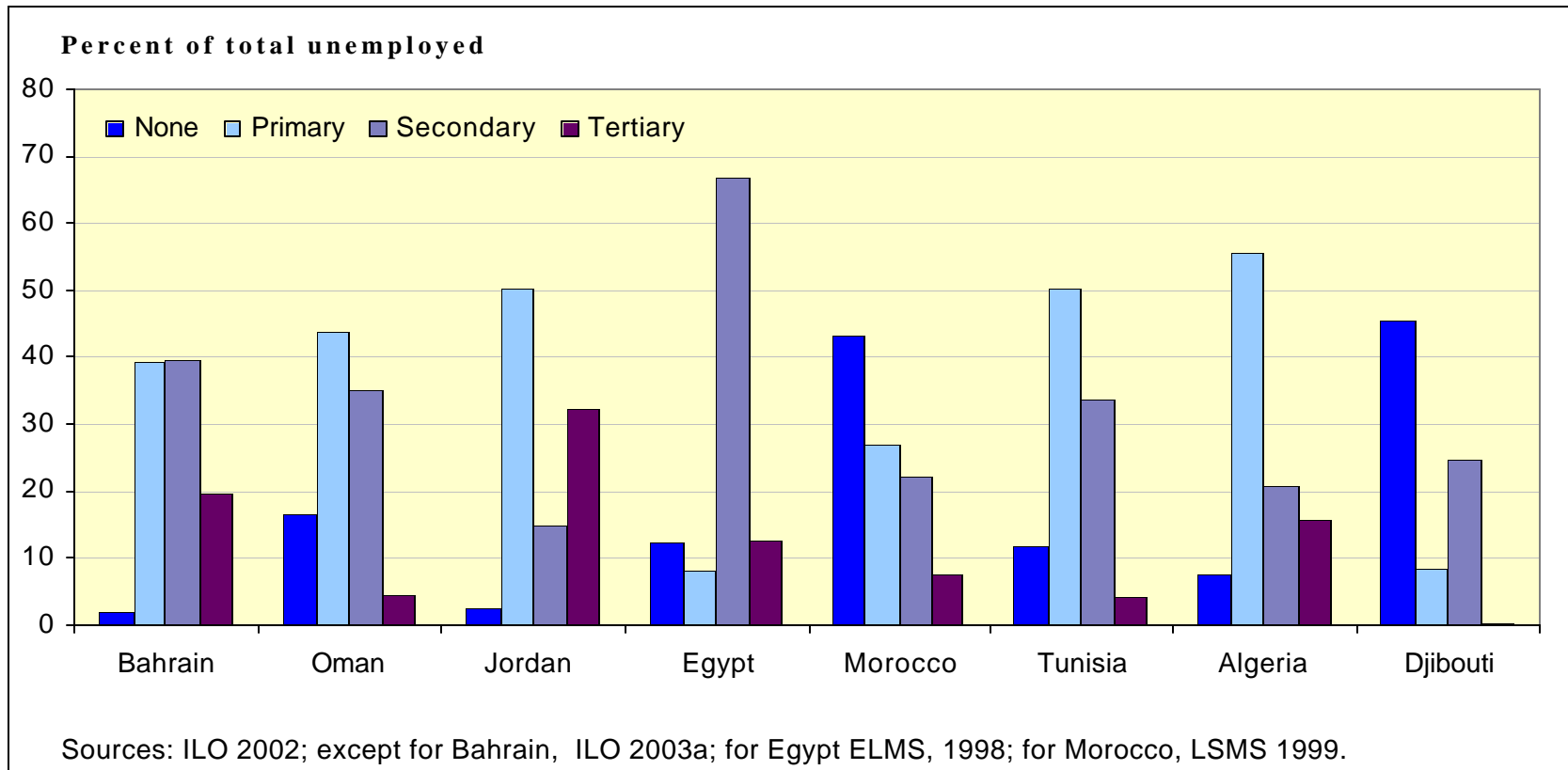
Source: Compiled by World Bank staff from ILO and country sources.

Youth are especially affected: First-time job seekers make up over 90% of unemployed in Egypt, 2/3 in Yemen and UAE, and more than 50% in Jordan and Morocco.

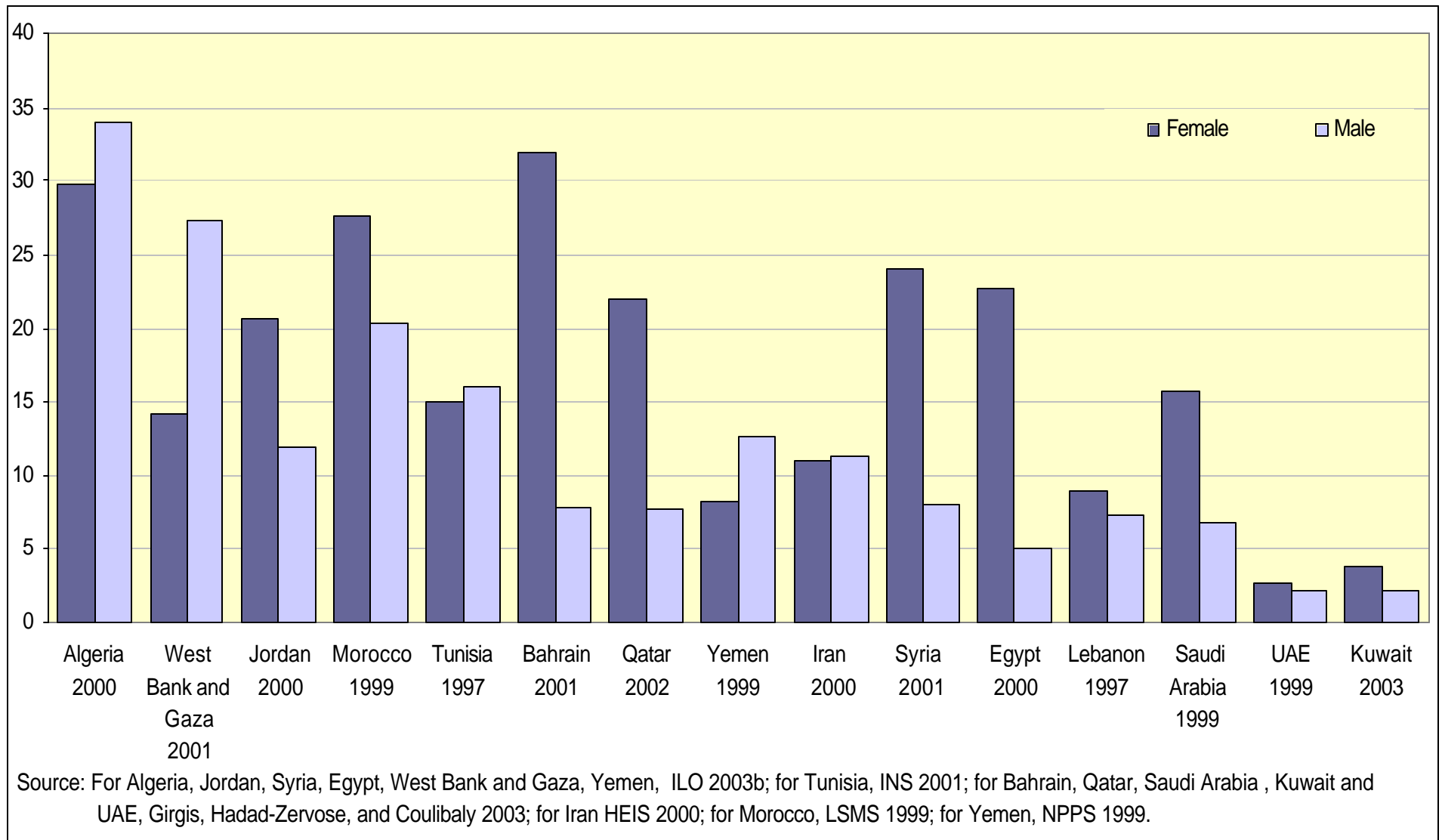


Workers are increasingly educated ...and facing increasingly difficult job prospects

Distribution of unemployed by level of education



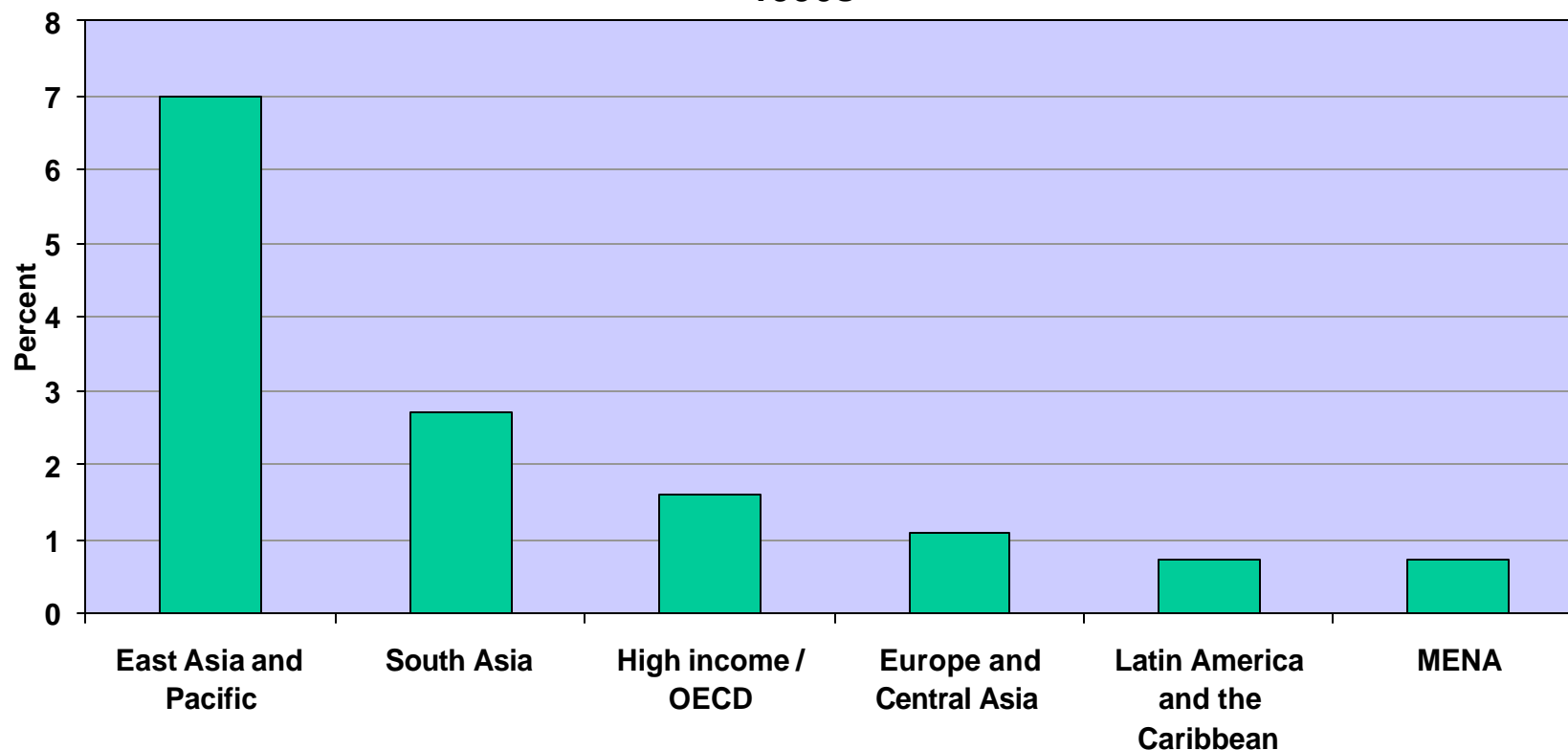
Unemployment rates for women are 30% higher than for men.



Worker Productivity Growth Was Also Low in the 1990s

- For the MENA region, productivity was the lowest among all other regions except for Eastern Europe and Central Asia.
- As a result, real wages increased marginally in a few countries. In most, they either stagnated or fell in the 1990s.

Average Annual Growth of GDP Per Employed Person by Region, 1990s



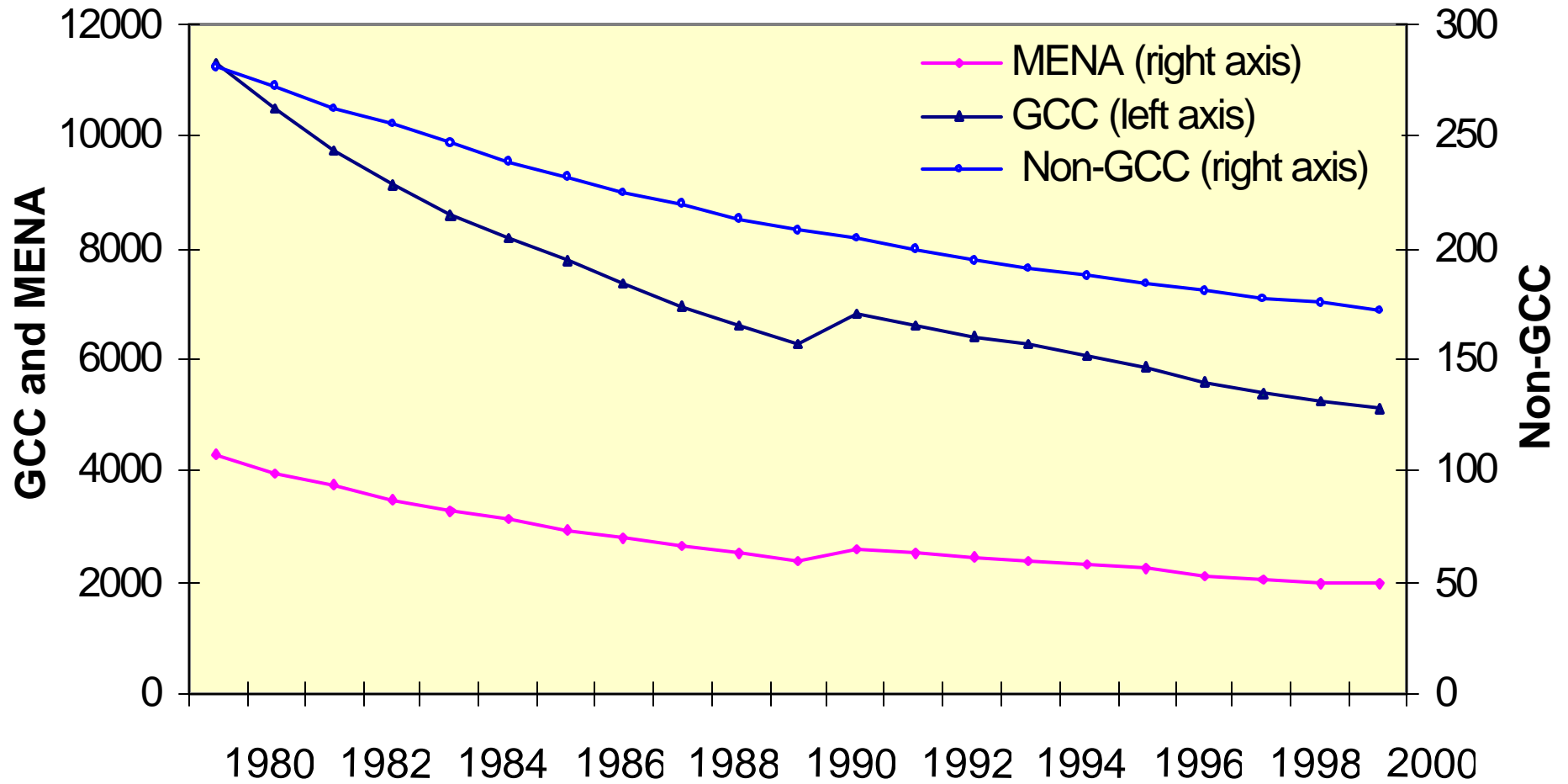
Old modes of employment in the public sector in MENA are fast dwindling . . .

Has depended upon:

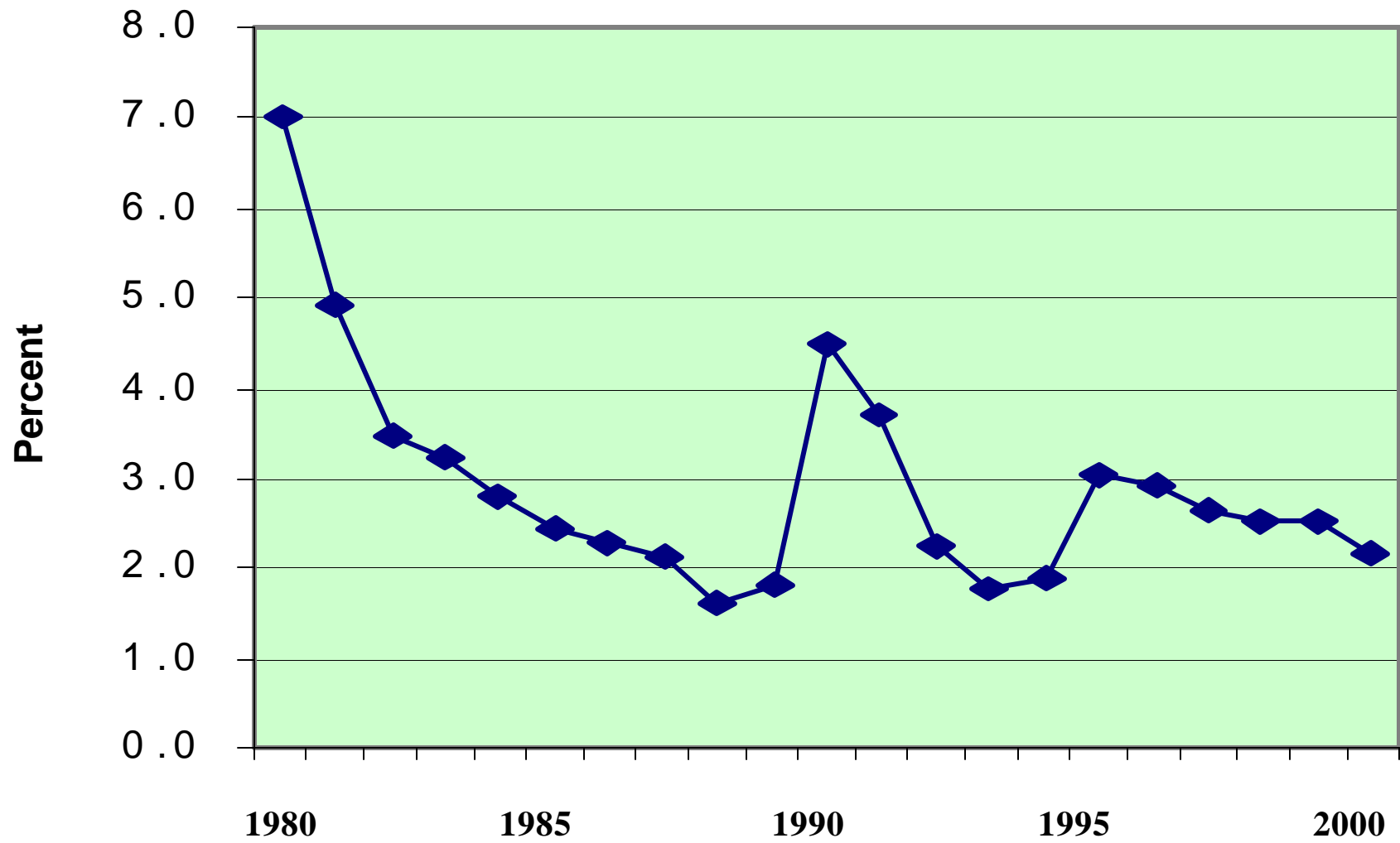
- Oil**
- Aid**
- Labor Remittances : diminished opportunities to GCC and Europe**

...and all financial resources declining.

Per capita oil exports, 1980-2000

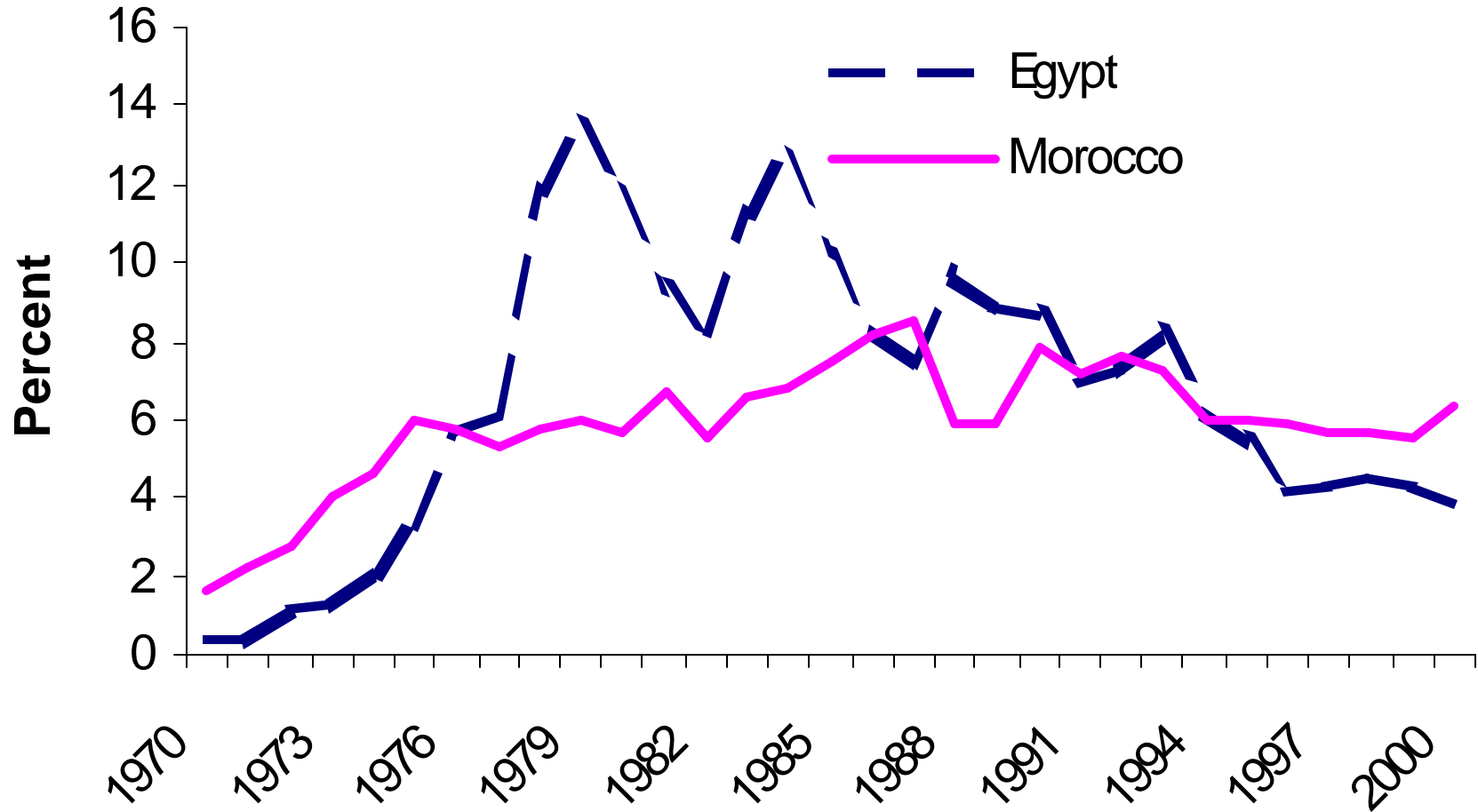


Aid to GDP ratio in the MENA region, 1980-2000



Worker remittances as % of GDP

Egypt and Morocco, 1970-2000

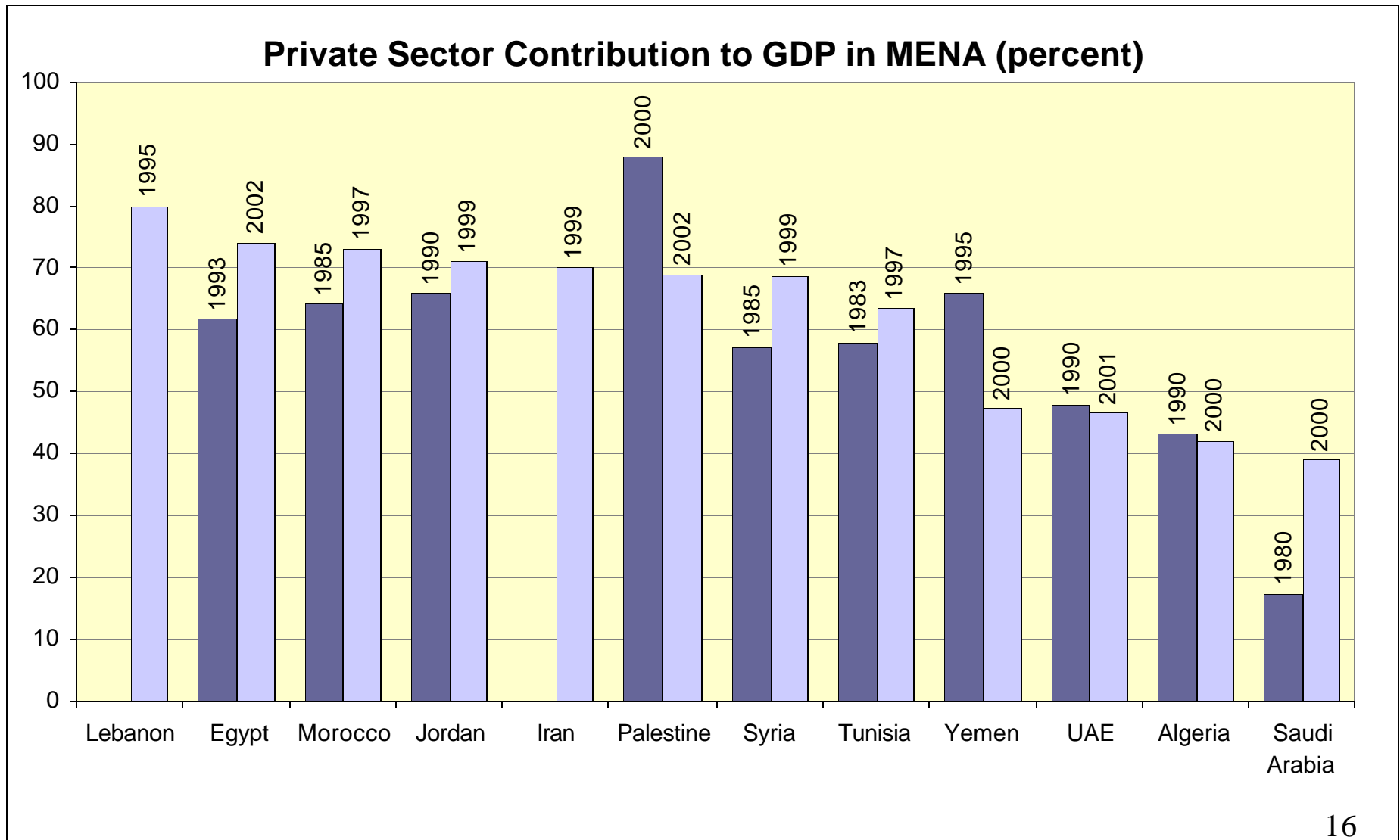


MENA needs a New Development Model to unlock its potential.

- **From public sector dominated to private-sector driven**
- **From closed and passive to more open and active**
- **From oil dominated and volatile to more stable and diversified**

And the challenge of job creation requires a **comprehensive approach to reform.**

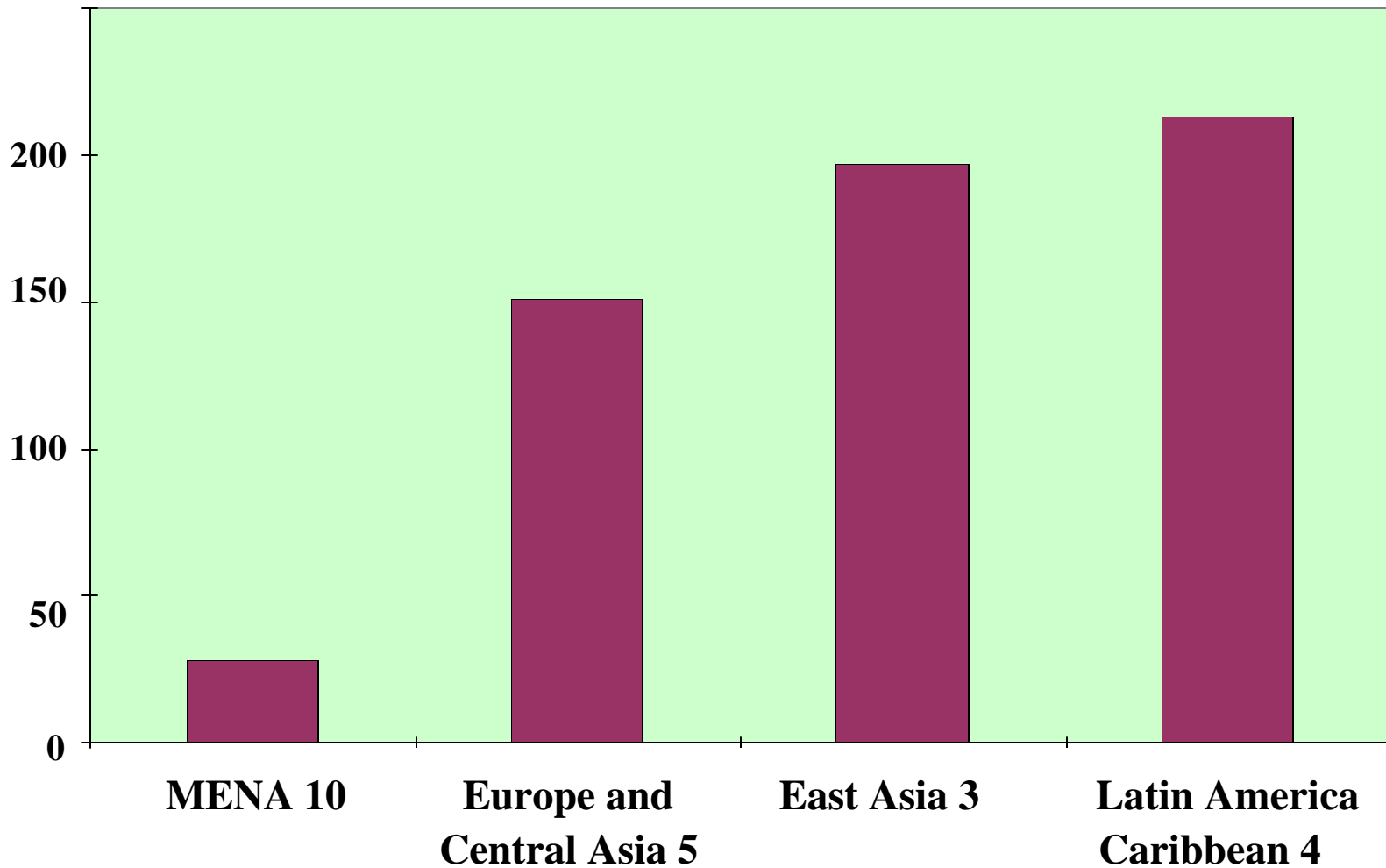
The private sector in MENA remains underdeveloped.



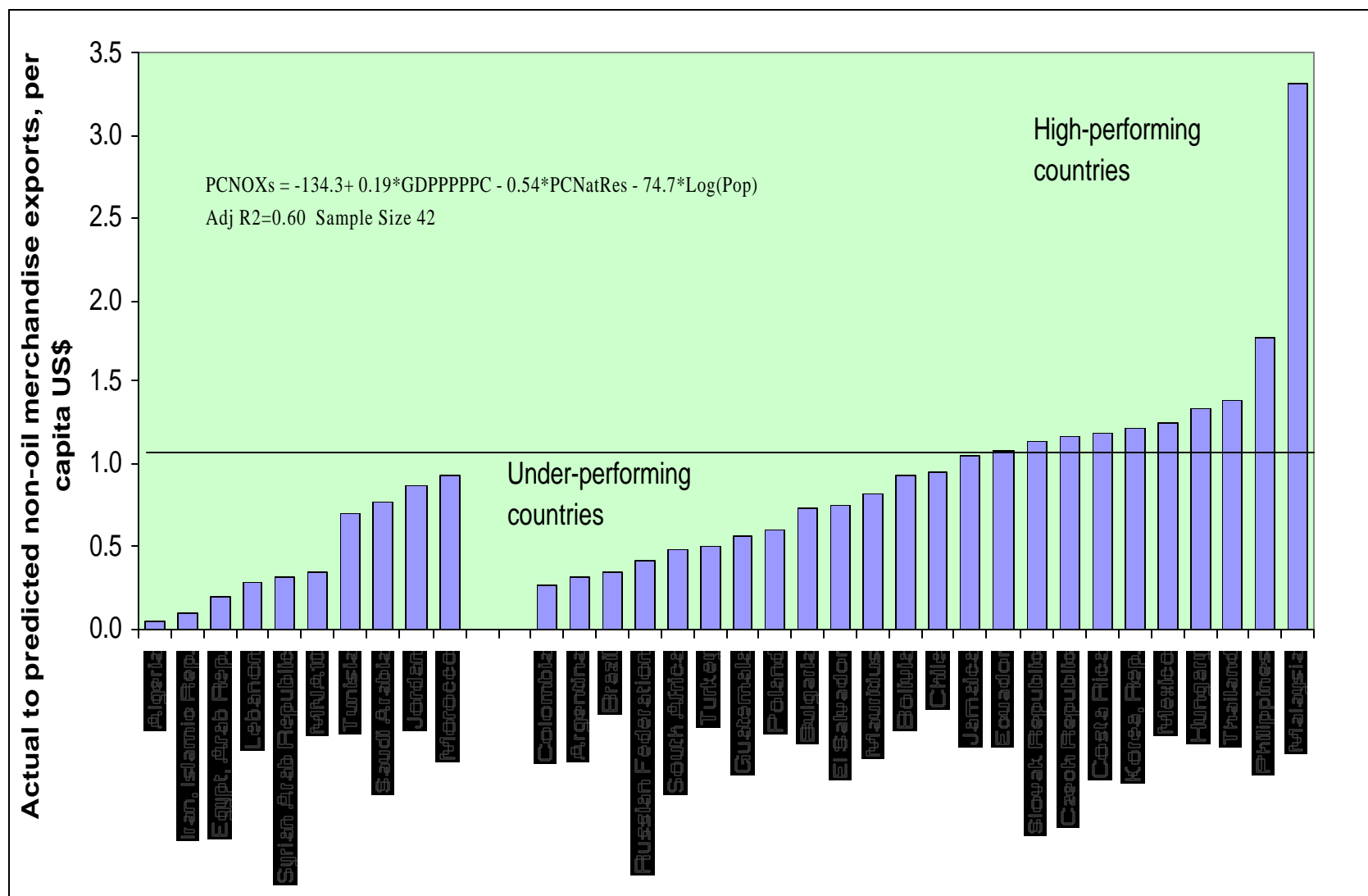
Exports outside of oil have been limited...

**\$US
Million**

Trade Potential of Non Oil Exports, 2000



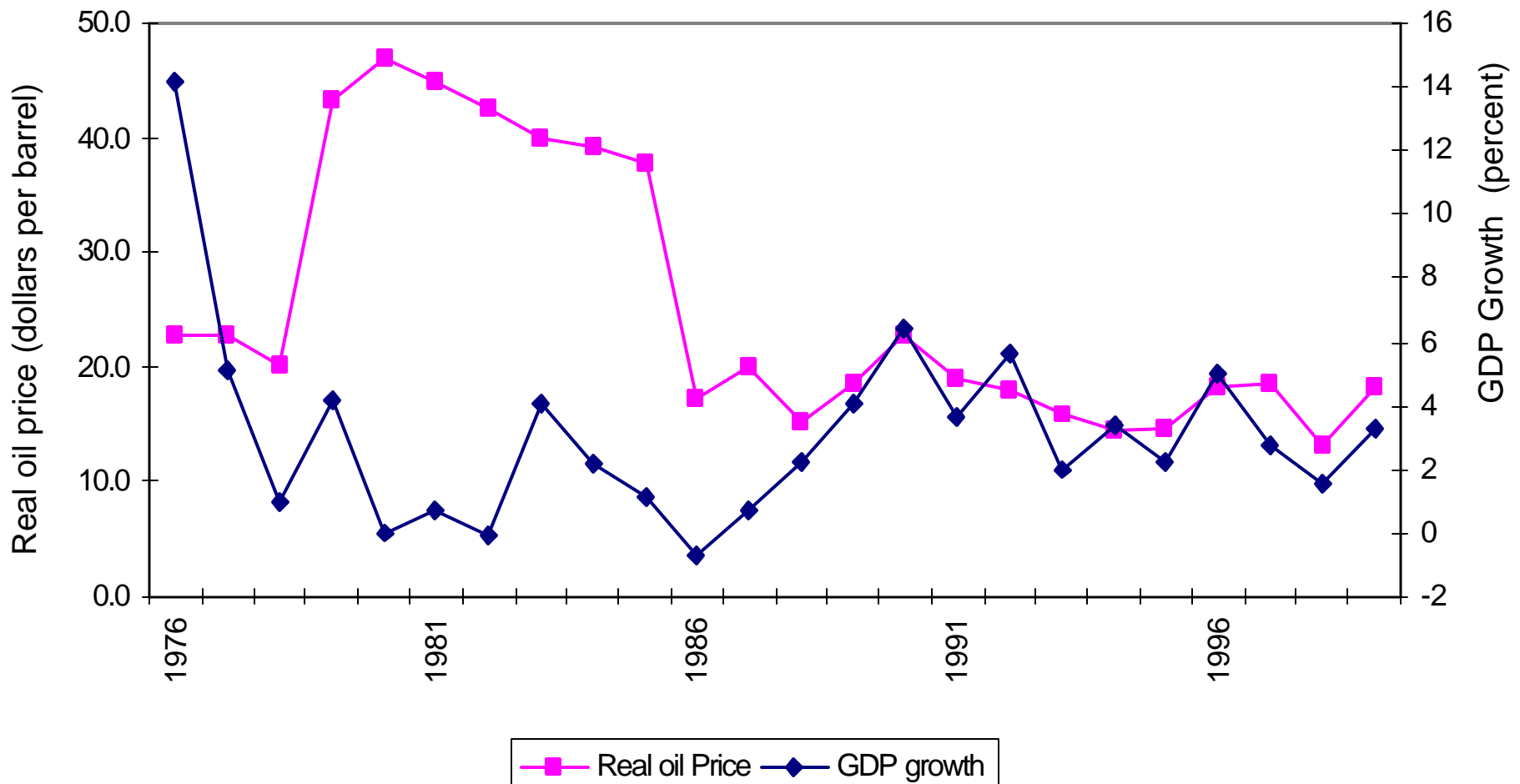
Non-oil exports remain largely below potential.



Note: Regression is based on 42 countries, but values for 8 low income countries, including Yemen, are not reported because of negative values. MENA10 = Algeria, Egypt, Jordan, Lebanon, Morocco, Saudi Arabia, Syria, Tunisia and Yemen.

Oil has dominated development. affecting growth but not producing jobs

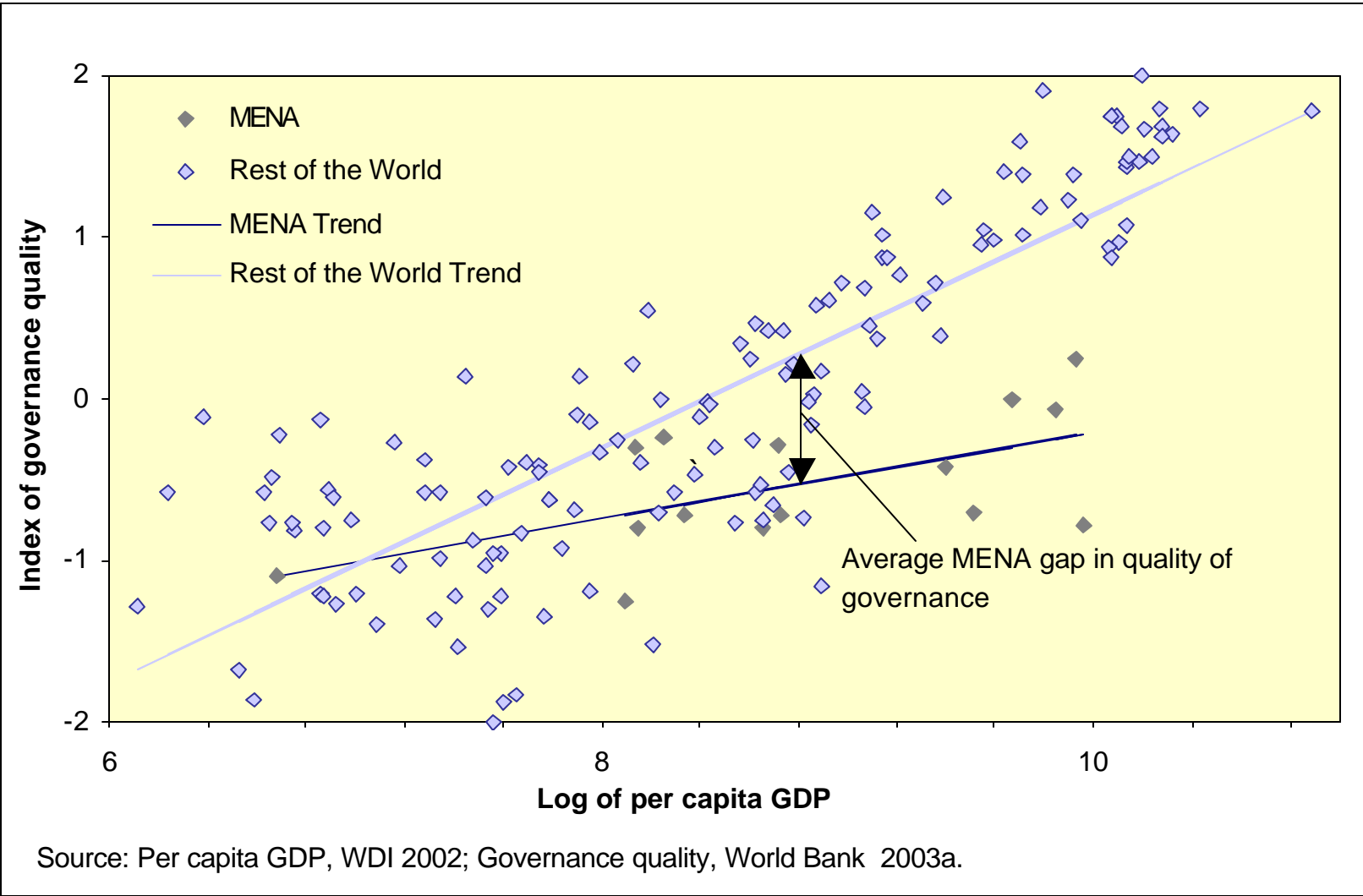
Real oil prices (left) and GDP growth (right)



These economic transitions require three fundamental transformations:

- Reducing governance gaps in inclusiveness and accountability**
- Promoting greater participation of women in economic activity, in order to utilize all their potential/talent**
- Improving the quality of educational outputs which meet the needs of the new economy**

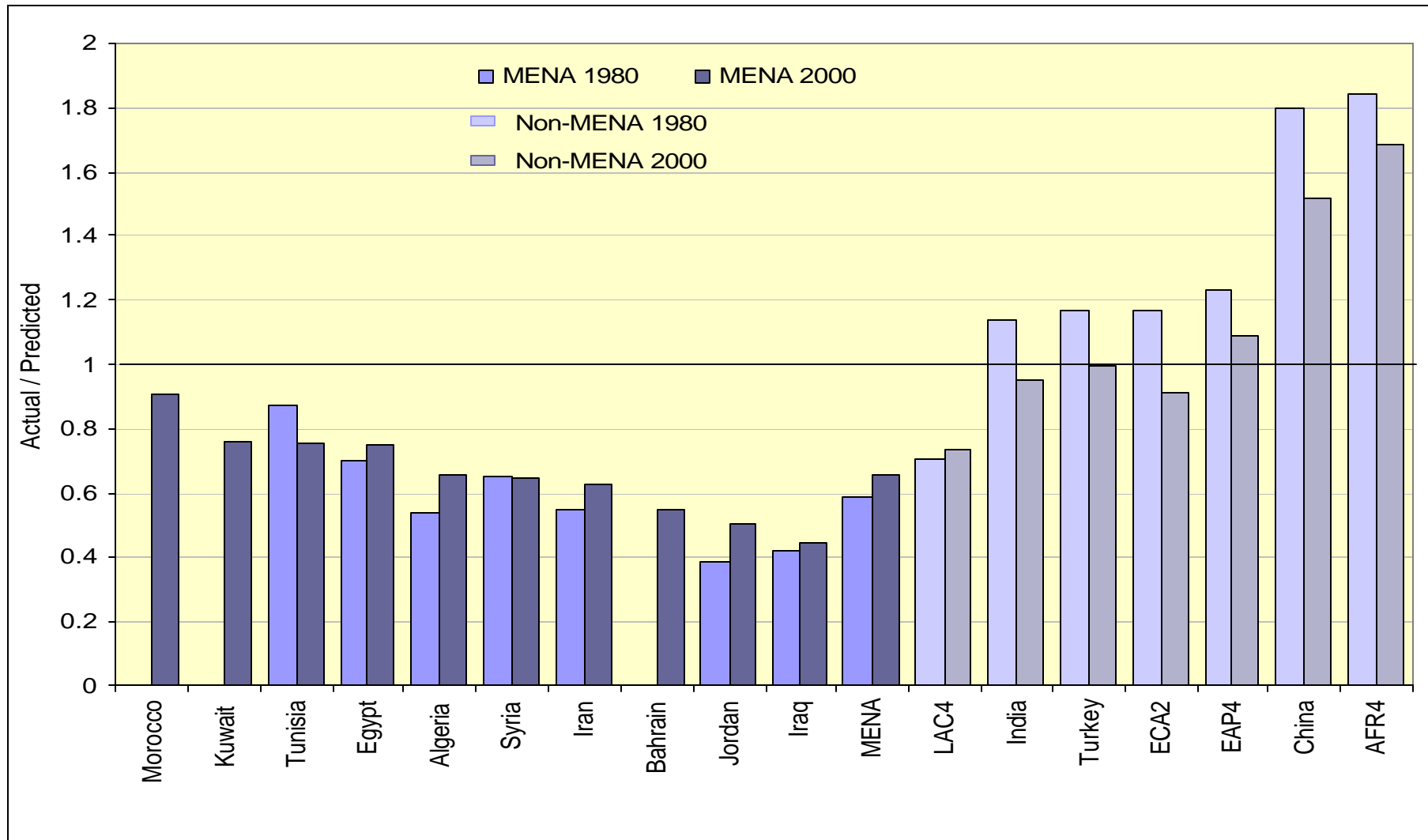
Indicators of governance are well below potential in MENA.



Better Governance Cannot Wait

- A vigorous state role in improving public administration is essential to establishing the conditions that will permit economies to grow.**
- Governance reforms are needed to enhance the investment climate required for the emergence of a vibrant private sector.**
- Governments need the institutional and regulatory instruments to manage the difficult process of transition under conditions of vulnerability.**
- Governance reforms are essential to permit governments to credibly articulate and realize a new vision of state–society relations.**

Participation of women in economic activity is also well below potential.



Understanding the Obstacles of the Past Is Critical.

- **Soft budget constraints:** External revenues cushioned the impact of economic stagnation and permitted governments to adopt limited reforms while postponing difficult decisions.
- **Political challenge from radical movements** meant that economic and political reforms were de-linked as governments responded by reviving political control and national security concerns.
- **As a result, top-down management of Reform by Decree** replaced earlier efforts to generate support for economic reform by opening the political arena.

Moving the reform process forward requires from the countries of the region . . .

- **A change from the selective, top-down approach to economic reform that sidesteps the need for political change to secure the legitimacy of reform and government credibility, which is no longer adequate.**
- **Governments will need to revive national conversations about the restructuring of redistributive programs and a redefining of the terms of the social contract.**

. . . And from external partners

- **Rethinking the response to persistent conflict in the region. Multilateral efforts are needed to resolve the Israeli–Palestinian conflict and return Iraq to a state of normalcy.**
- **Determined and programmatic efforts to support the wide-ranging reform agenda, going beyond the transaction specific support.**
- **To support deeper integration of MENA into the world economy, encouraging more trade and investment, and lifting economic sanctions.**