

*“I am now 95 years old. This was the first time that someone asked us what projects we needed... and then it was realized.”*

A man from the small town of Um Dar by Jenin (West Bank and Gaza), commenting on the Bank’s consultations with villagers for the Community Development Program Road Project.

**Countries Eligible for World Bank Borrowing:**

- Algeria
- Djibouti
- Egypt, Arab Republic of
- Iran, Islamic Republic of
- Iraq
- Jordan
- Lebanon
- Morocco
- Syrian Arab Republic
- Tunisia
- Yemen, Republic of

*This section also reports on the West Bank and Gaza.*

## Middle East and North Africa

### REGIONAL CONTEXT: IMPROVING PERFORMANCE, STILL FACING SERIOUS CHALLENGES

Starting in the late 1980s many of the economies of the Middle East and North Africa (MNA) region committed to far-reaching economic reforms to restore macroeconomic balances and promote development led by the private, rather than the public, sector. Economic performance improved: annual GDP growth increased from 2.4 percent in 1981–90 to 3.1 percent in the 1991–2000 period, as well as over the past year.

Despite the improved performance, the region faces serious economic and social challenges. The break in the peace process, resulting in border closures, has posed severe problems in the West Bank and Gaza. Unemployment rates, averaging over 15 percent regionally, are of mounting concern. Much of the region is still characterized by large public sectors, with centralized governments, over-staffed civil services, and weak systems of accountability. Several countries continue to be extremely vulnerable to weather and commodity price shocks due to their limited economic resource base. Basic infrastructure and services vital for private sector growth remain weak. Integration with the rest of the world still lags behind other developing economies in Asia and Latin America. Poverty, though relatively low by some income measures, persists in large pockets throughout the region.

### WORLD BANK ASSISTANCE: SUPPORTING THE PRIVATE SECTOR, PUBLIC INSTITUTIONS, AND HUMAN RESOURCES

The diversity of the MNA region’s challenges calls for customized Bank assistance. Fiscal 2001 was marked by continued support for client-driven services to alleviate poverty; rapid response to severe economic shocks in the West Bank and Gaza (through grant and concessional financing provided by the Bank’s Trust Fund for Gaza and the West Bank); and reimbursable technical assistance to the Gulf Cooperation Council countries as well as Malta and Libya—whose incomes make them ineligible for IBRD lending but which benefit from advisory services in a wide range of areas.

The Bank’s assistance strategy to MNA countries focused on three priority areas in fiscal 2001. The first was **helping strengthen the overall climate for investment and private sector-led growth**—critical for employment generation—by maintaining macro-economic stability and pursuing efficiency-enhancing policy reform. A second priority was support for **strengthening public sector management and institution building** through more efficient use of budgetary resources and enhanced mechanisms for participation. Bank assistance also focused on **social protection and human resource development** by helping countries improve the quality and coverage of education and health-care services, reduce disparities in incomes and access to services through targeted community-based development, and protect the vulnerable with effective social policies. In addition, support for knowledge sharing through the Global Development Learning Network (GDLN) strengthens prospects for empowerment of people and increases the region’s productivity (box 4.10).

## Middle East and North Africa Fast Facts

Total population: 0.3 billion

Population growth: 1.9%

Life expectancy at birth: 68 years

Infant mortality per 1,000 births: 44

Female youth illiteracy: 23%

2000 GNI per capita: \$2,040

**Number of Persons living with HIV/AIDS: 0.4 million**

*Note: Life expectancy at birth and infant mortality rate per 1,000 births are for 1999, other indicators are for 2000, from the World Development Indicators database. The term gross national income (GNI) is now used instead of gross national product (G NP).*

### Total FY01 New Commitments

IBRD \$355.2 million

IDA \$152.3 million

### Total FY01 Disbursements

IBRD \$666.2 million

IDA \$123.0 million

Portfolio of projects under implementation as of June 30, 2001: \$5.9 billion

#### Box 4.10 MNA Joins the Global Development Learning Network (GDLN)

With some 25 countries around the world connected to the GDLN, this year saw the opening of the first two GDLN centers in the MNA region, in Jordan and Egypt (with Egypt's GDLN soon to become fully operational). Plans are under way for a center in Saudi Arabia. Algeria, Morocco, Tunisia, and the Republic of Yemen have also expressed interest in being connected.

The GDLN provides a platform for developing countries to exchange information. As other MNA economies link to the GDLN, the network offers great potential to become a powerful facility for collaborative information-sharing on issues common to the region, with substantial benefit for effective policymaking. At the country level, sharing of information among the government, civil society, and interested parties also promotes participation in the development process. By enabling the exchange of experience among countries, the GDLN offers a potentially important vehicle for finding common solutions to problems facing the MNA region.

The Bank increasingly depends upon partnerships in the development process. Broad consultation with civil society and the poor is essential to better understanding their needs and helping them plan and implement their own development strategies. In Morocco, for example, the Bank organized consultations with over 55 civil society representatives to inform the preparation of its Country Assistance Strategy (CAS). Partnership with other development organizations is equally vital, to share knowledge and avoid gaps and overlaps in activities. For example, the Bank-sponsored Palestinian non-governmental organization (NGO) project (Phase II approved in fiscal 2001), designed to strengthen NGOs' capacity to deliver improved services to the poor, has drawn international attention to the approach of relying on NGOs' comparative advantages in addressing the needs of poor people. Partnership has also helped Egyptian women obtain identification cards (see box 4.11).

Table 4.6 shows the value and sectoral distribution of total Bank lending to the Middle East and North Africa region in the fiscal 1992–2001 period. Table 8.7 (see About the World Bank) compares commitments, disbursements, and net transfers to the region for fiscal 1996–2001, and table 8.13 (see About the World Bank) shows operations approved in fiscal 2001, by country. Figure 4.6 shows IBRD and IDA lending by sector.

#### *Strengthening the climate for investment and private sector-led growth*

Sustained growth that raises incomes and extends benefits to the poor is critical for poverty reduction and job creation. Helping countries pursue faster, sustainable growth is a defining theme of Bank support to the MNA region, both through CASs (Djibouti and Morocco, and an interim assistance strategy for the Islamic Republic of Iran) and sources of growth studies (Jordan and Lebanon). To promote private sector development, the Bank helped Tunisia strengthen urban transport capacity while supporting Morocco in privatization and further liberalization of its telecommunications sector. Trade and competitiveness studies for Egypt, the Islamic Republic of Iran, Tunisia, and the West Bank and Gaza, as well as support for information infrastructure in Morocco and an information technology strategy for Algeria, also underscore the

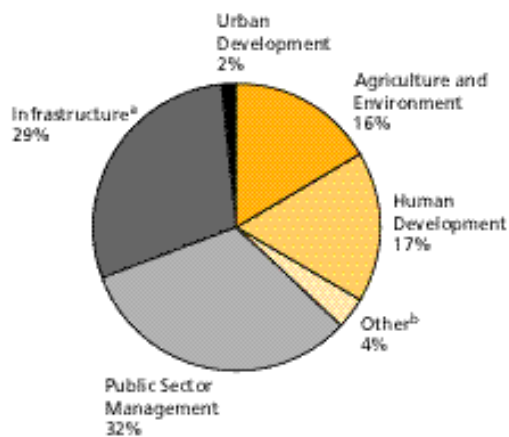
importance of enhancing the region's integration with the global economy. Extensive work toward a private sector development strategy for Kuwait offers an example of the Bank's growing emphasis on private sector development and competitiveness issues in the region.

Gender and cultural issues also affect growth. Empirical evidence increasingly demonstrates that gender inequality contributes significantly to



In fiscal 2001, the World Bank responded rapidly to the unemployment crisis in the West Bank and Gaza through the Emergency Response Program, which supported infrastructure improvements through labor-intensive activities, and has already, in its first five months of implementation, created about 180,000 man-days of work.

**Figure 4.6 Middle East and North Africa: IBRD and IDA Lending by Sector, Fiscal 2001**  
Share of total of \$0.5 billion



Note: Sector classification is on a loan component basis. See table 1.1, page 26.  
a. Includes transportation, telecommunications, and water supply and sanitation.  
b. Includes mining.

poverty. Bank assistance to the region has sought to close the gender gap and mainstream gender concerns in policy dialogue, projects, and economic and sector work. In 2000 over 55 percent of lending operations in MNA addressed gender issues—higher than any other Region and more than double the rate of 10 years ago. At the suggestion of the MNA Consultative Council on Gender, a gender

dialogue series was launched in fiscal 2001 to help MNA Region staff implement the Bank's gender policies. The Bank also recognizes that preserving cultural heritage is integral to MNA's development strategy. Efforts in fiscal 2001 included a cultural heritage preservation project in Tunisia and a comprehensive report on cultural heritage preservation in the region.

### *Public sector management and institution building*

Institution building, to improve public sector accountability and efficiency, is a key theme of Bank assistance to the MNA region. In fiscal 2001 the Bank helped strengthen the public administration's ability to provide basic social and infrastructure services through, for example, support for long-term education strategies in Djibouti, Morocco, and the Republic of Yemen, and for pension system improvements in Djibouti and the West Bank and Gaza. Other new operations reinforced local public institutional capacity (Morocco and the Republic of Yemen), making public expenditure more efficient. They also pave the way for greater decentralization as well as reliance on civil society and the private sector in planning and delivering public services. The Bank also supported budgetary systems in Algeria, Jordan, and the Republic of Yemen, for an innovative and comprehensive public sector reform credit. Important capacity-building activities were initiated in Egypt in the area of project appraisal, monitoring, and evaluation.

### *Social protection and human resource development*

Although MNA's poverty rates are relatively low, other social indicators signal a more serious poverty problem. In fiscal 2001 the Bank continued to build knowledge on poverty, through reviews and assessments (Egypt, Morocco, and the West Bank and Gaza). Helping countries address the survival needs of those in society who are unable adequately to



*Through the joint efforts of the World Bank and a local civil society organization, women in Egypt are finally getting registered, and gaining access to important social and education services.*

**Box 4.11 Helping Alleviate Poverty among Egyptian Women: The Power of Partnership**

In many of the poorer communities in Egypt, people—particularly women—are not registered at birth, making it impossible for them to access basic rights and services. In fiscal 2001 the Bank's MNA staff teamed up with an Egyptian civil society organization, the Egyptian Center for Women's Rights, to support women's access to identification cards and birth certificates, through the Bank-sponsored Development Marketplace. The project funded some of the costs of issuing identification cards in the Greater Cairo area and raised awareness among other NGOs, the media, the general public, and the government. As a result of the campaign, women who have received identification cards are filing for and receiving inheritances, registering for literacy classes, voting, and receiving pensions.

help themselves has also been a priority. An Emergency Response Program in the West Bank and Gaza, for example, created labor-intensive emergency employment activities for thousands of persons facing severe economic hardship. The Bank also helped countries design and implement safety nets in fiscal 2001, with an assessment of social protection in Egypt and preparation of a comprehensive regional study of social protection schemes.

Rural and community development have emerged as important areas of Bank support, with targeted community development (Lebanon and the West Bank and Gaza), and support for rural infrastructure (Morocco and the Republic of Yemen). Support for expanding access to safe water in the Republic of Yemen is also allowing tremendous savings of time devoted to collecting water—particularly for women and girls, who can instead pursue schooling. New Bank operations in MNA, recognizing the vital role of water management, have supported irrigation improvement (Morocco and the Republic of Yemen), water resource management (Jordan and the Syrian Arab Republic), and agricultural competitiveness assessments (Egypt and Morocco). The Bank also sponsored the Nile Basin Initiative in fiscal 2001 to foster constructive dialogue among the Nile's 10 riparian states and generate win-win solutions to the problem of Nile water-sharing. In addition, it chaired an important meeting of the International Consortium for Cooperation on the Nile in June 2001.

Helping expand access to education and health services remains a cornerstone of the Bank's work in supporting poverty reduction. In fiscal 2001 the Bank continued its long-standing commitment to education in MNA with support for education projects in Djibouti, the West Bank and Gaza, and the Republic of Yemen. Responding to the government's concern over the implications of fast-growing university enrollments, the Bank also produced an analysis on rationalizing higher education in the Republic of Yemen. Support in fiscal 2001 for sanitation and solid waste management, meanwhile, will help improve public health and quality of life in the West Bank and Gaza and the Republic of Yemen.

Table 4.6 **World Bank Lending to Borrowers in the Middle East and North Africa, by Sector, Fiscal 1992–2001**  
(millions of dollars)

Sector	Classified on a Loan-by-Loan Basis				Classified on a Loan Component Basis	
	FY92–97 <i>Annual average</i>	FY98–99 <i>Annual average</i>	FY00	FY01	FY00	FY01
Agriculture	307.4	284.1	153.0	75.2	153.0	75.2
Economic policy	195.8	185.0	-	-	-	-
Education	95.1	96.5	219.2	66.0	233.5	70.0
Electric power and other energy	88.3	27.0	-	-	-	-
Environment	27.8	17.5	-	-	72.5	8.5
Finance	90.8	119.5	-	-	-	-
Mining	-	-	-	18.0	-	18.0
Multisector	6.7	-	83.5	-	62.8	-
Oil and gas	32.5	-	-	-	-	-
Health, nutrition, and population	56.0	120.5	87.0	-	119.0	4.0
Private sector development	20.6	68.0	15.9	-	15.9	-
Public sector management	9.2	27.0	35.3	143.7	35.3	163.8
Social protection	45.9	88.8	75.0	20.0	49.4	12.0
Telecommunications	20.0	-	9.0	65.0	9.0	44.9
Transportation	58.9	28.9	15.0	82.6	15.0	82.6
Urban development	188.3	173.0	82.2	17.0	82.2	8.5
Water supply and sanitation	91.4	45.0	145.0	20.0	72.5	20.0
<b>Total</b>	<b>1,334.7</b>	<b>1,280.8</b>	<b>920.1</b>	<b>507.5<sup>a</sup></b>	<b>920.1</b>	<b>507.5<sup>a</sup></b>
Of which						
IBRD	1,183.8	955.5	760.3	355.2		
IDA	150.9	325.3	159.8	152.3		

Note: See table 1.1, page 26. Numbers may not add to totals because of rounding.

a. Does not include special financing of \$36.1 million provided by the Trust Fund for Gaza and the West Bank.