

The Political and Economic Development of MENA Countries

Istituto Studi Europei

April 23, 2013

Pietro Masci

Outline

- Policy and Politics
- The MENA Region
- The MENA Countries
- Performance: Ultimate Goals
- Intermediate Variables
- Strategy and Policies

Policy and Politics

Policy and Politics

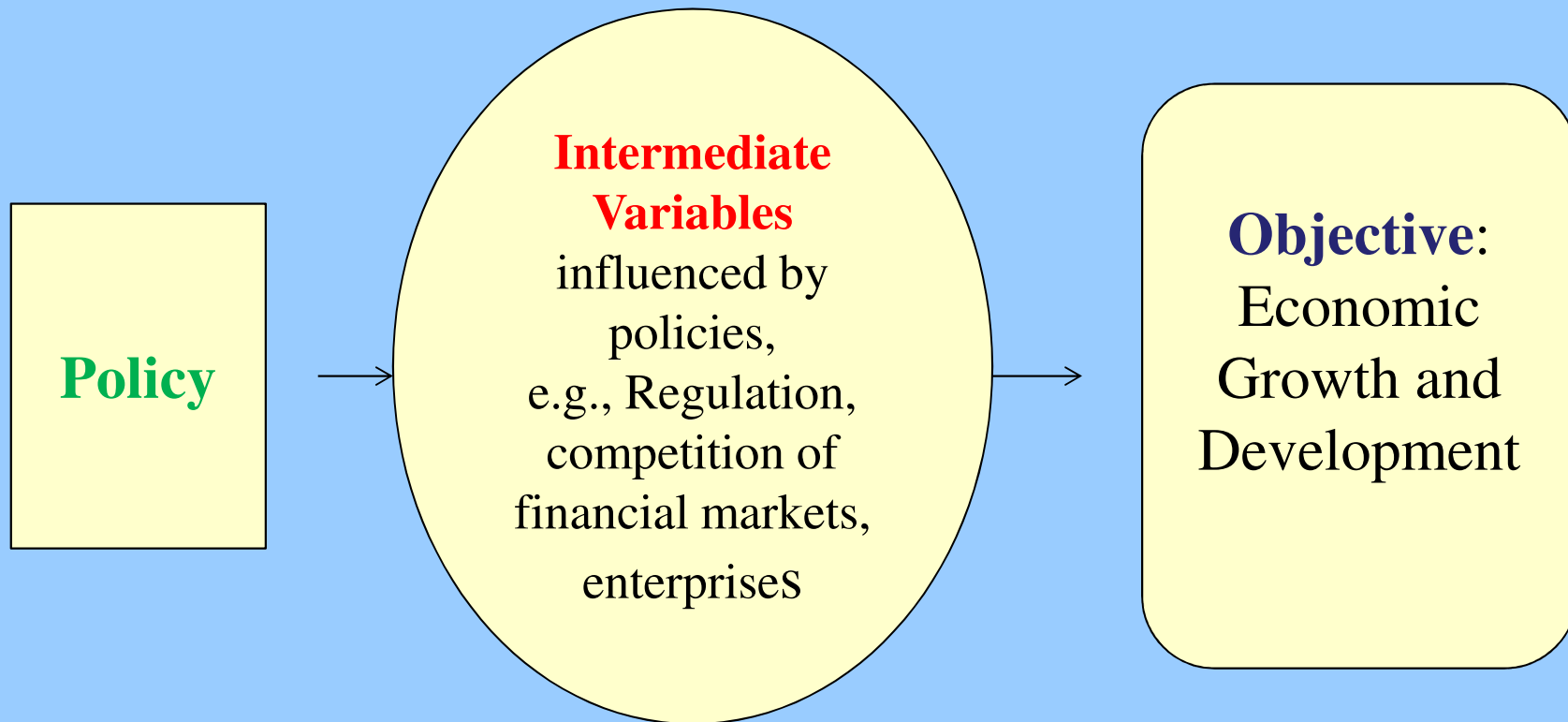
Policy and any public sector intervention and activity:

A definite course of action selected (by government, institution) - based on evidence- from among alternatives and given conditions to meet an objective and to determine present and future decisions.

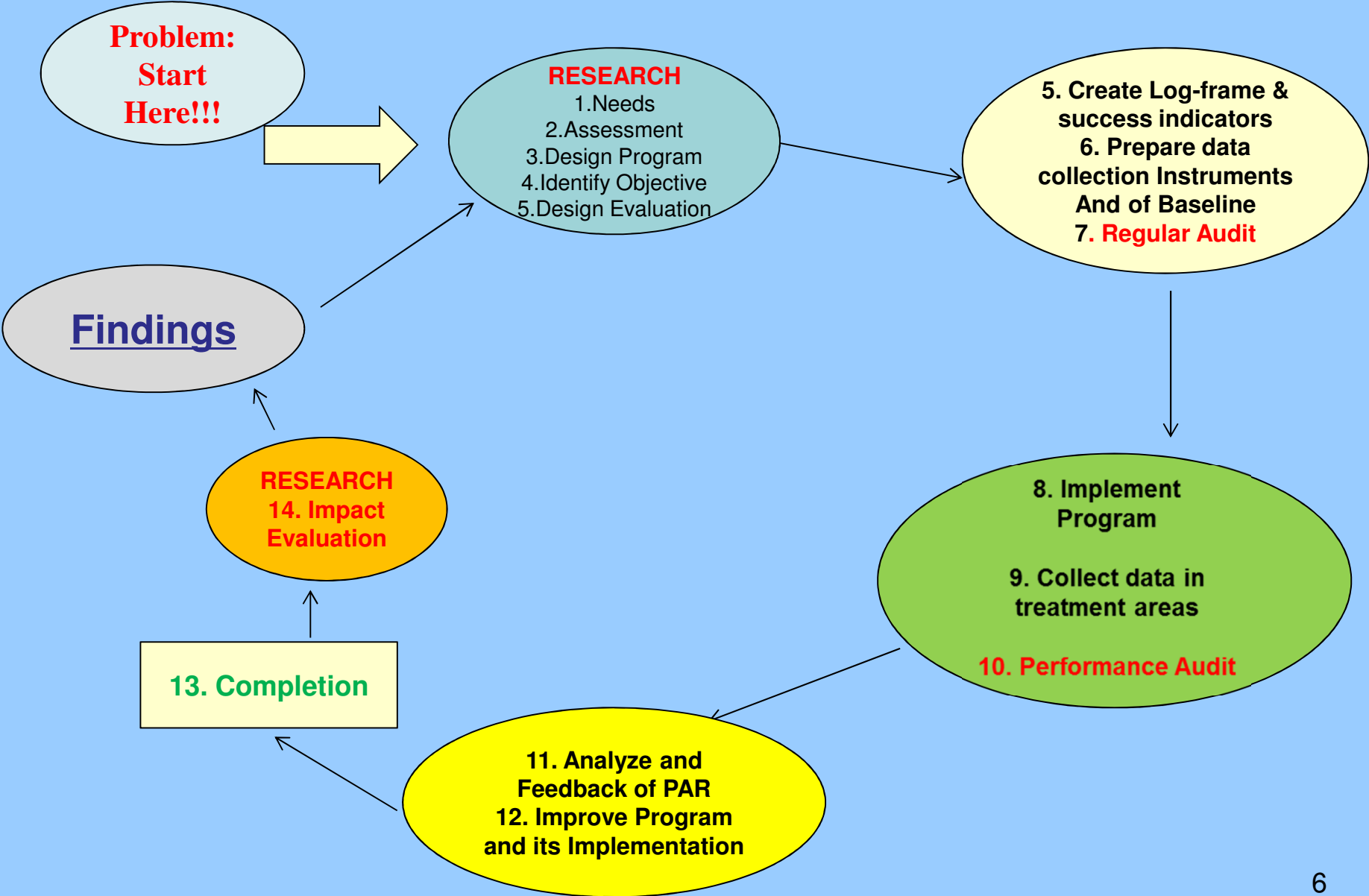
Politics:

The art or science concerned with guiding or influencing governmental policy and winning and holding control over a government to promote given interests.

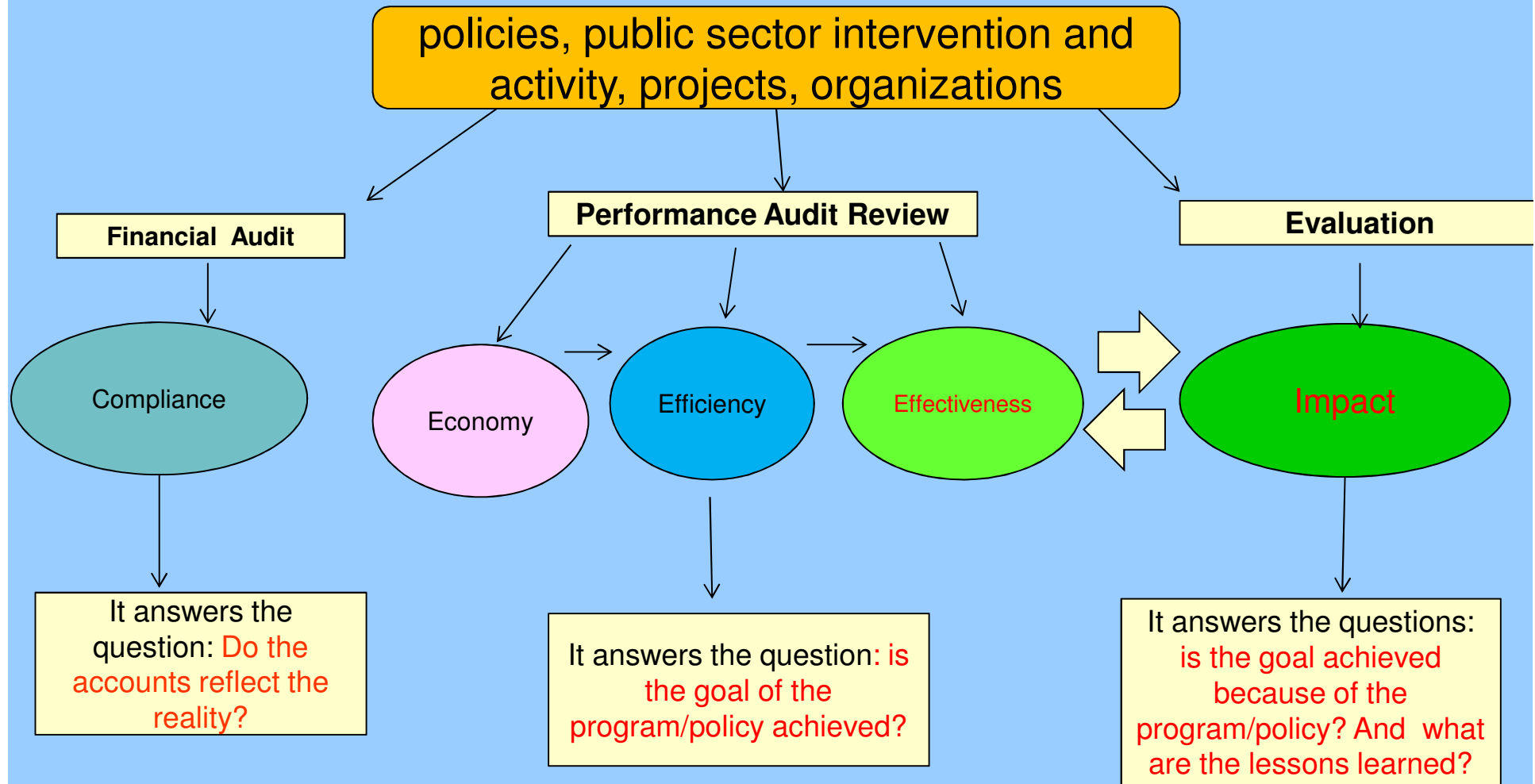
Policy, Variables, Objectives



The Sequence of Policy Intervention



Traditional Audit, Performance Audit and Evaluation



Footnote: Why Evaluation?

First, it is the cost opportunity!!!!

Public policies and interventions receive taxpayers' money in various forms, direct and indirect. Therefore it is reasonable to ask whether these public sector funds are used effectively and efficiently and if the desired impact is reached relative to the next best alternative use of these public funds.

*Second, it is **learning and evidence based policy**:*

Impact evaluations provide important information to experts, practitioners and policymakers about the types of products and services that work best for particular types of clients.

Politics

Developments in the political arena are powerful agenda setters

- Interest groups that press (or fail to press) demands on government
- National mood
- New administrations
- New partisan/ideological distributions in congress
- Personal Interest
- Corruption

Political Decisions: Policy Change

Agreement is reached by bargaining

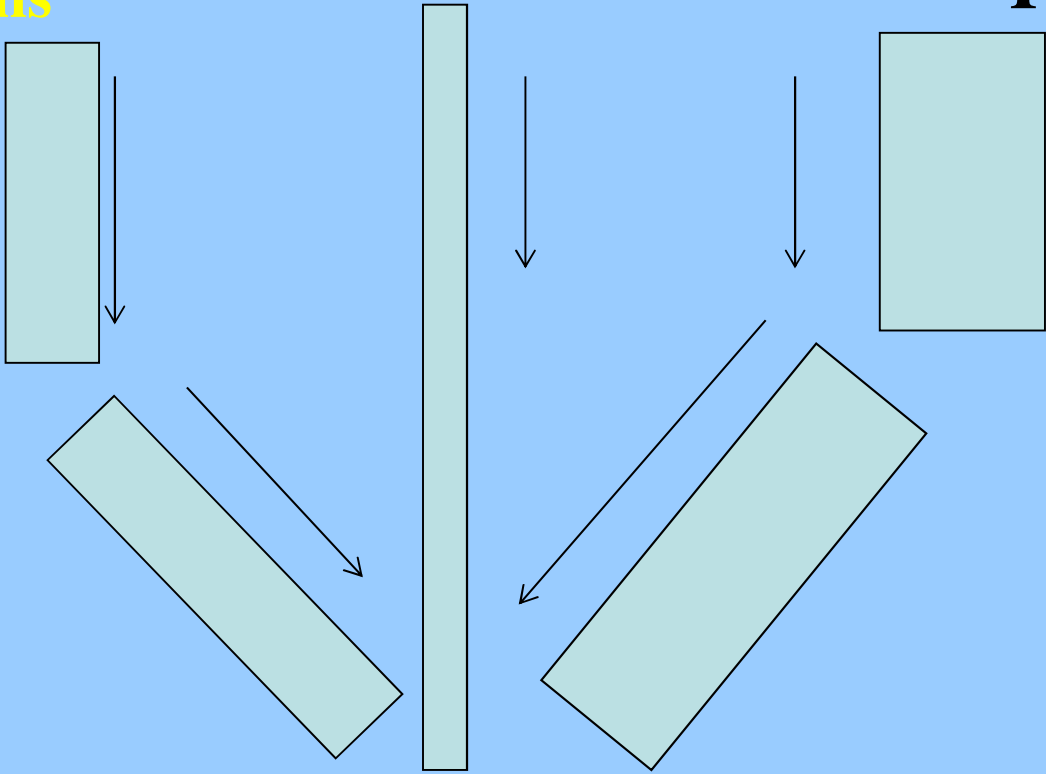
- Trading provisions for support “*pork barrel*”
- Adding elected officials to coalitions by giving concessions
- Compromising from ideal positions to those that will gain wider acceptance
- **Corruption**
- **National mood and elected officials more important than interest groups for political decisions**

The Kingdon Model of Change: the Streams

Problems

Policy Proposals

Politics



Convergence of the streams and policy change

The MENA Region

The term covers an extensive region and several countries extending from Morocco to Iran, including the majority of both the Middle Eastern and Maghreb countries. The term is roughly synonymous with the term the Greater Middle East (which is also sometimes taken to include Afghanistan).

The population of the MENA region at its least extent is about 381 million people, about 6% of the total world population. At its greatest extent, its population is roughly 523 million.



The MENA Countries

Classification of MENA Countries

The diversity of the MENA region could be segmented in many different ways. Two of the most notable defining characteristics among MENA countries are the availability of oil resources and the size of their native populations. MENA countries can be classified in three main groups according to Population and Hydrocarbon Resources:

Resource-rich, labor-abundant countries are producers and exporters of oil and gas and have large native populations, which represent almost the totality of their residents. This group of countries includes **Algeria, Iraq, Syria, and Yemen.**

Resource-rich, labor-importing countries are producers and exporters of oil and gas and have large shares of foreign or expatriate residents, who represent a significant percentage of the total population, even the majority in some cases. This group of countries comprises the Gulf Cooperation Council (GCC) members (**Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates**) and **Libya.**

Resource-poor countries are small producers or importers of oil and gas. These countries include **Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Tunisia, and the Palestinian Authority.**

Source: Adapted from World Bank (2007)

Classification of MENA Countries

Classification MENA Countries			
MENA	MENA Low Income	MENA Middle Income	MENA High Income
<i>Algeria</i>	<i>Djibouti</i>	<i>Algeria</i>	<i>Bahrain</i>
<i>Bahrain</i>	<i>Sudan</i>	<i>Egypt</i>	<i>Israel</i>
<i>Djibouti</i>	<i>Yemen</i>	<i>Iran</i>	<i>Kuwait</i>
<i>Egypt</i>		<i>Iraq</i>	<i>Lybia</i>
<i>Iran</i>		<i>Jordan</i>	<i>Oman</i>
<i>Iraq</i>		<i>Lebanon</i>	<i>Qatar</i>
<i>Jordan</i>		<i>Morocco</i>	<i>Saudi Arabia</i>
<i>Kuwait</i>		<i>Palestine</i>	<i>United Arab Emirates</i>
<i>Israel</i>		<i>Syria</i>	
<i>Lebanon</i>		<i>Tunisia</i>	
<i>Libya</i>		<i>Turkey</i>	
<i>Morocco</i>			
<i>Oman</i>			
<i>Palestine</i>			
<i>Qatar</i>			
<i>Saudi Arabia</i>			
<i>Sudan</i>			
<i>Syria</i>			
<i>Tunisia</i>			
<i>Turkey</i>			
<i>United Arab Emirates</i>			
<i>Yemen</i>			

Salehi-Isfahani Djavad, 2010, Human Development in the Middle East and North Africa, UNDP

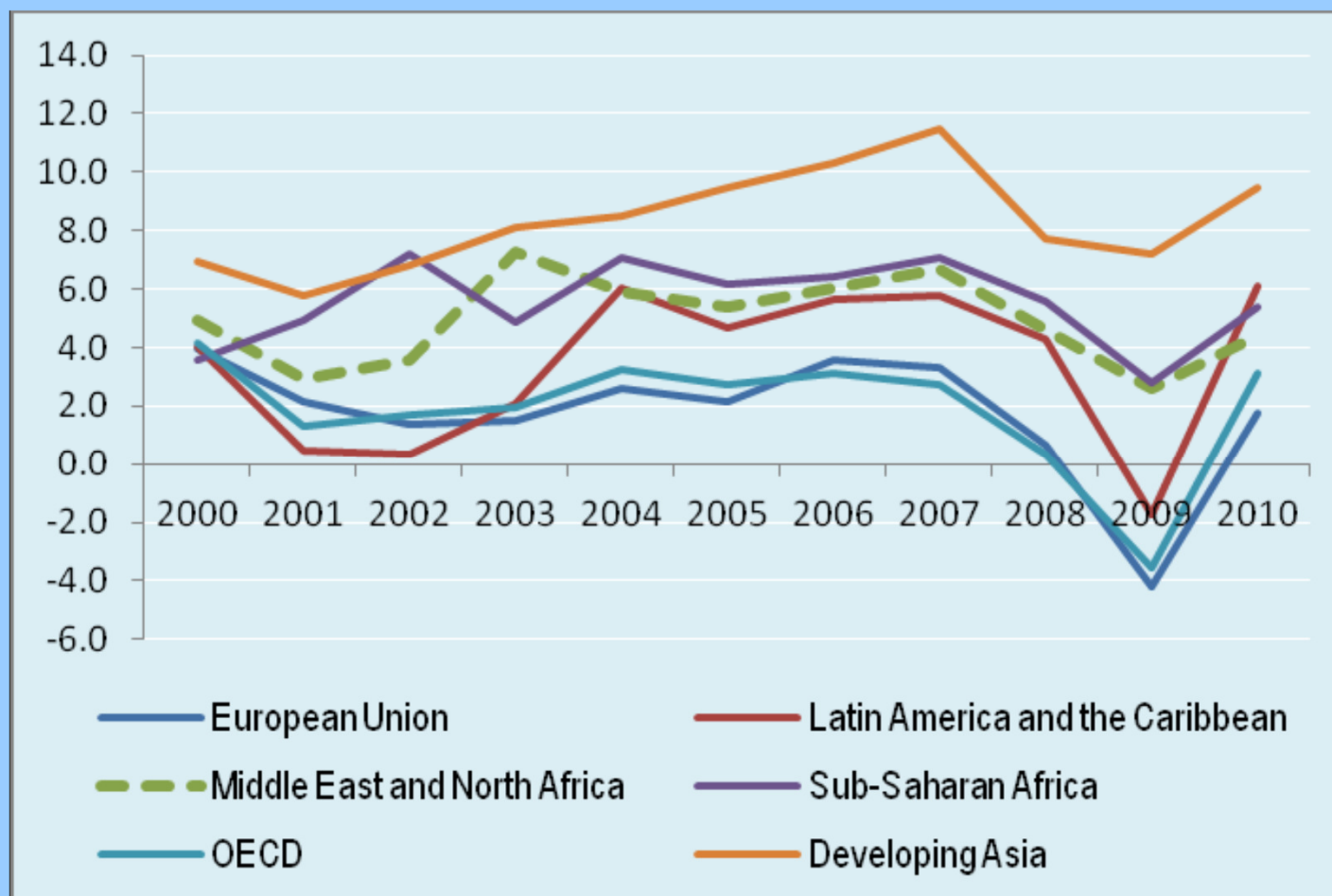
Performance

GDP per capita in MENA and other Regions

GDP per capita in MENA and other Regions - 1990-2010					
Region	1990	1995	2000	2005	2010
MENA Low Income	1,011	1,119	1,334	1,831	2,150
MENA Middle Income	5,244	5,562	6,226	6,974	7,264
MENA High Income	20,474	21,765	22,300	26,982	25,097
Africa	1,688	1,553	1,589	1,994	2,286
Asia	2,649	3,211	3,684	4,544	5,965
LAC	7,102	7,679	8,268	8,739	9,998
Oceania	18,126	19,109	21,656	24,303	25,326
Europe	16,429	15,680	17,908	24,753	25,627
North America	31,454	33,249	38,472	41,825	41,594

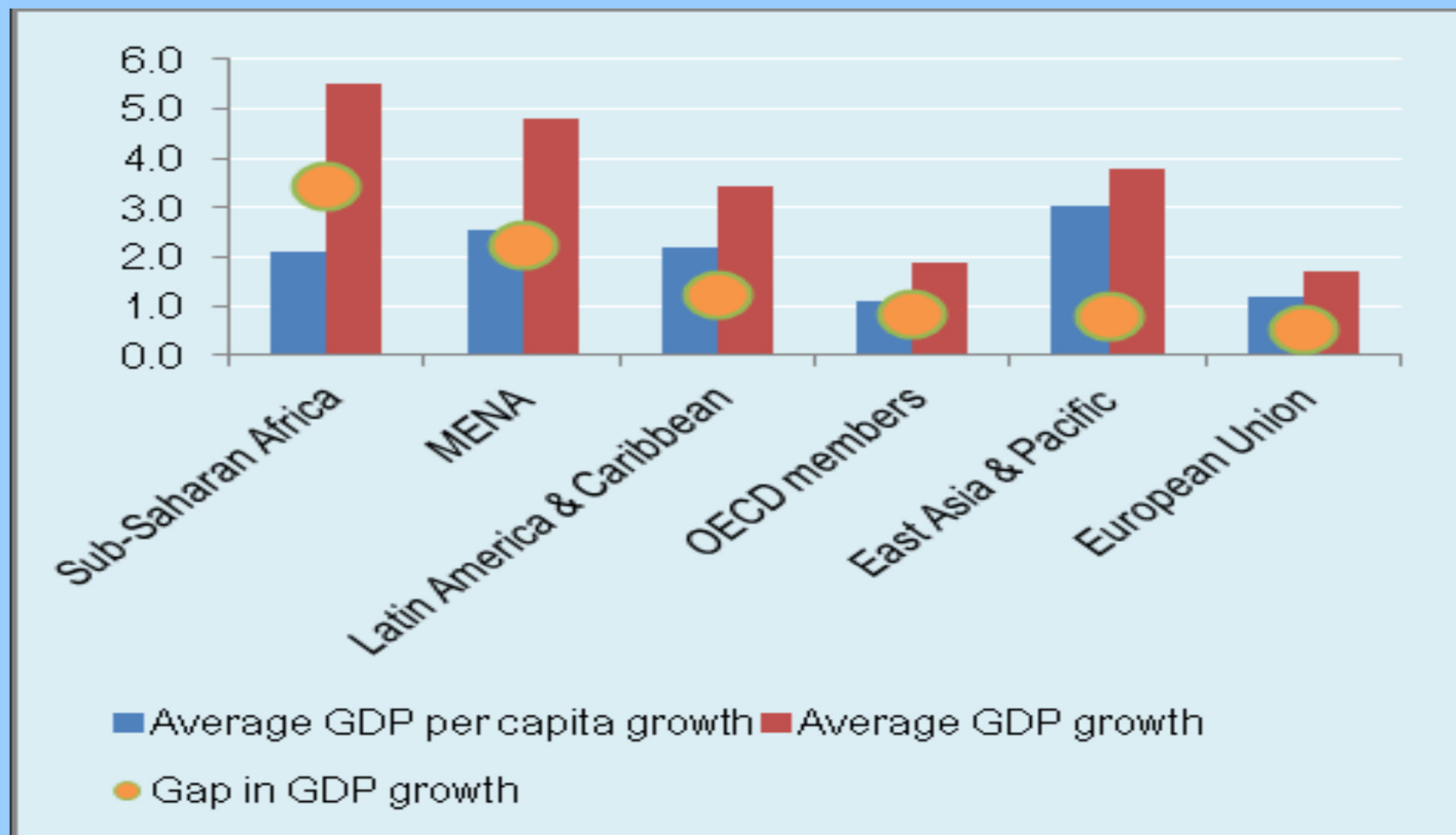
Source: World Bank WDI 2012

GDP Growth by Region, percent change, constant prices



Sources: IMF 2011d and OECD 2011

GDP and GDP per capita Growth 2000–09 by Region

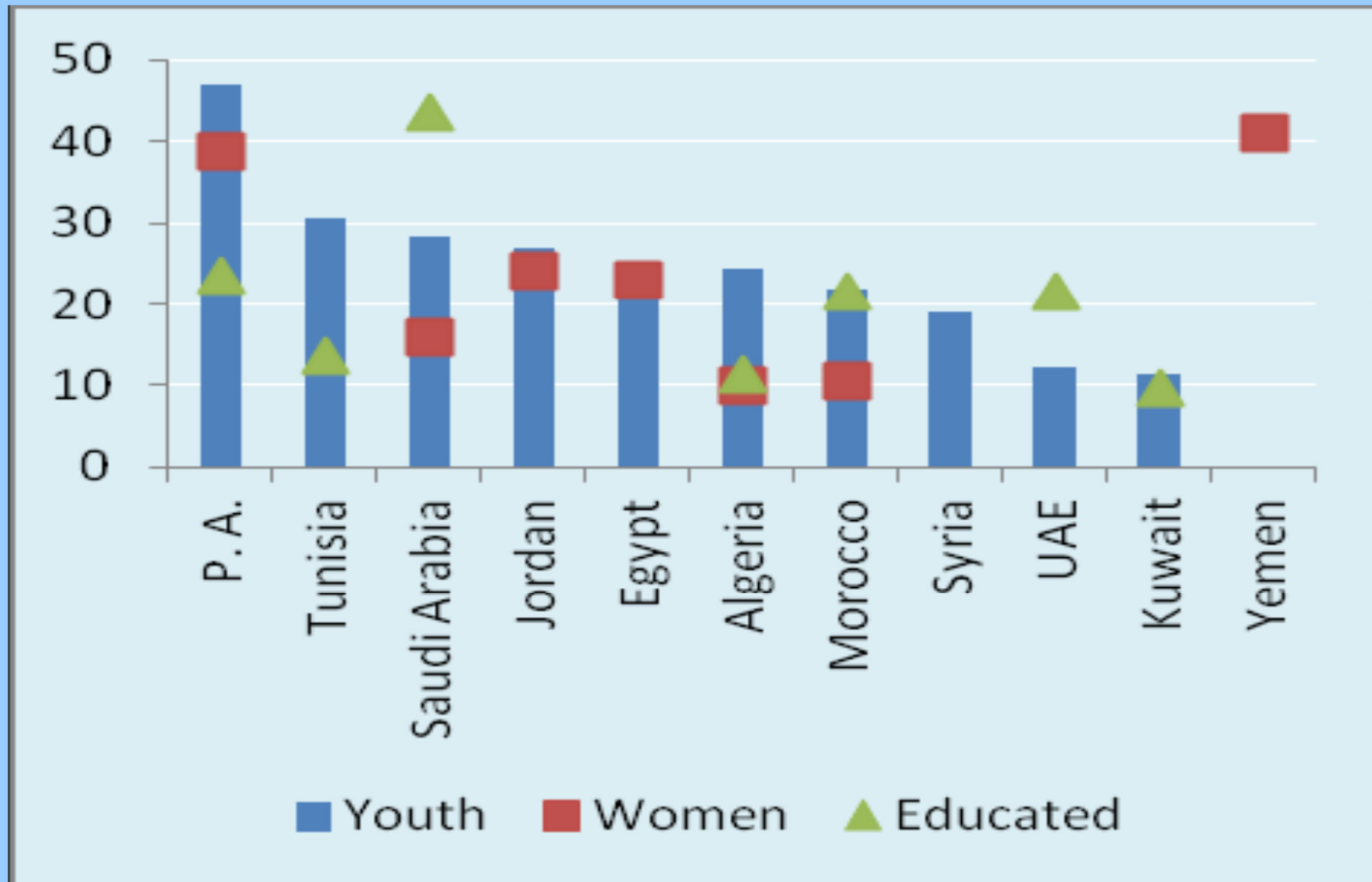


Source: World Bank 2011

GDP and GDP per Capita

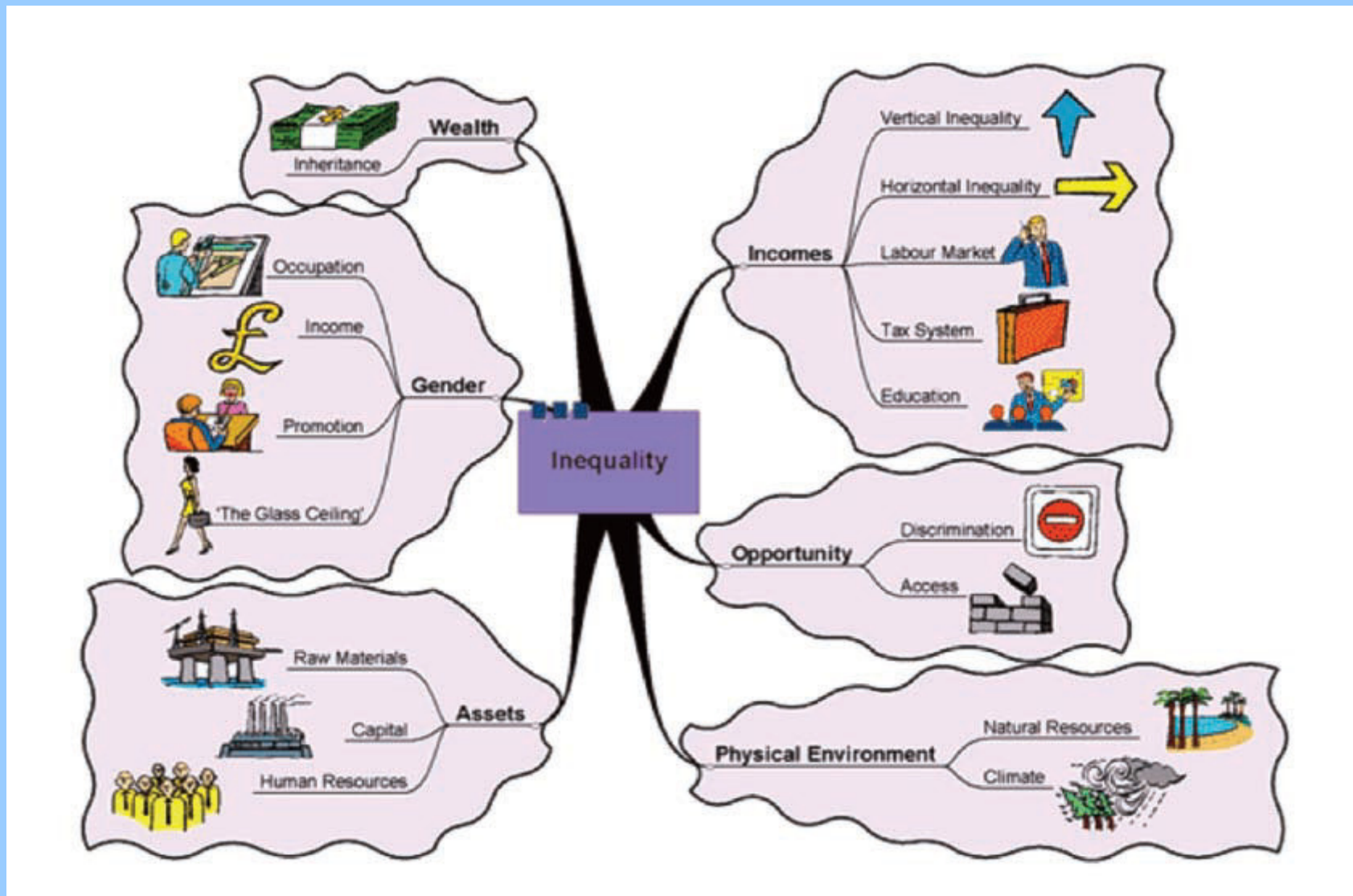
- High GDP growth rates have not been reflected in GDP per capita growth, which indicates that economic growth has not kept pace with population growth.
- Economic growth during 2000–10 in the MENA region has averaged 4.8 percent, whereas average GDP per capita growth for 2000–09 (the latest 11 year for which data are available) has been only 2.5 percent. This gap between GDP and GDP per capita growth is one of the highest in the world, below only sub-Saharan Africa.
- Performance among countries differs, with Tunisia, Morocco, and Lebanon registering the lowest gaps between GDP and GDP per capita growth, and Iraq, the United Arab Emirates, and Yemen registering the widest gaps (Figure 3).

Unemployment in % among youth, women, and the educated- 2009



Source: World Bank 2011

Dimension of Inequality



Source:

<http://www.bized.co.uk/educators/1619/economics/development/activity/inequality.htm>

Inequality

Equal Opportunities or Equal Outcome?

Human Development Index and its Components

Human Development Index (HDI) and its Components										
	HDI					GDP pc Index				
	1990	1995	2000	2005	2011	1990	1995	2000	2005	2011
Mena Low	0.3	0.32	0.36	0.4	0.43	0.32	0.36	0.38	0.4	0.43
Mena Mid	0.52	0.56	0.61	0.64	0.66	0.55	0.56	0.58	0.59	0.61
Mena High	0.7	0.72	0.73	0.75	0.78	0.78	0.78	0.78	0.78	0.8
Africa	0.38	0.38	0.37	0.4	0.43	0.34	0.32	0.33	0.34	0.37
Asia	0.47	0.52	0.55	0.59	0.63	0.39	0.43	0.46	0.5	0.56
LAC	0.62	0.64	0.67	0.7	0.73	0.6	0.61	0.62	0.63	0.65
Oceania	0.78	0.79	0.8	0.81	0.82	0.7	0.71	0.72	0.72	0.73
Europe	0.76	0.78	0.81	0.84	0.85	0.75	0.73	0.75	0.77	0.78
North America	0.87	0.88	0.9	0.9	0.91	0.82	0.83	0.86	0.87	0.87
	Education Index					Health Index				
Mena Low	0.14	0.18	0.21	0.24	0.27	0.53	0.56	0.6	0.64	0.68
Mena Mid	0.38	0.43	0.49	0.54	0.27	0.7	0.75	0.79	0.81	0.84
Mena High	0.54	0.58	0.62	0.65	0.69	0.78	0.8	0.82	0.84	0.86
Africa	0.32	0.36	0.35	0.39	0.41	0.46	0.46	0.46	0.49	0.54
Asia	0.42	0.45	0.48	0.53	0.56	0.71	0.73	0.74	0.76	0.79
LAC	0.52	0.56	0.61	0.65	0.69	0.76	0.79	0.82	0.84	0.86
Oceania	0.81	0.84	0.83	0.84	0.84	0.83	0.85	0.87	0.89	0.9
Europe	0.69	0.76	0.8	0.84	0.86	0.86	0.87	0.89	0.91	0.93
North America	0.91	0.93	0.93	0.93	0.94	0.87	0.89	0.9	0.91	0.93

Source: UNDP 2012

Human Development Index

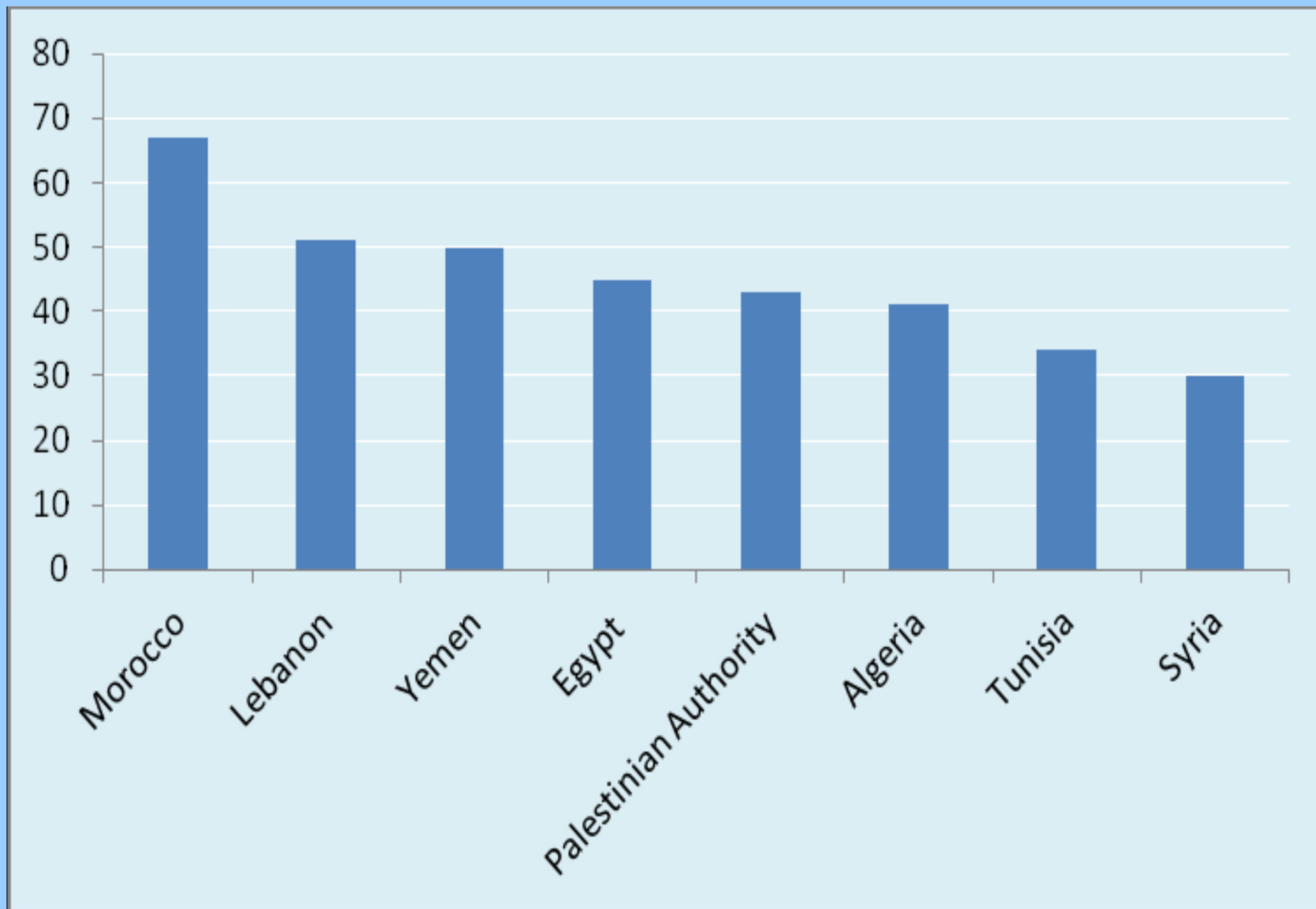
The Human Development Report introduces a new way of measuring development by combining indicators of **life expectancy, educational attainment and income into a composite human development index, the HDI.**

The breakthrough for the HDI was the creation of a **single statistic**, which was to serve as a frame of reference for both social and economic development. The HDI sets a minimum and a maximum for each dimension, called goalposts, and then shows where each country stands in relation to these goalposts, expressed as a value between 0 and 1.

Inequality-Adjusted Human Development Index

Inequality-adjusted Human Development Index - 2011								
Regions	Inequality-adjusted HDI		Inequality-adjusted life expectancy Index		Inequality-adjusted education Index		Inequality-adjusted income Index	
	Value	Overall loss (%)	Value	Loss (%)	Value	Loss (%)	Value	Loss (%)
Sub-Saharan Africa	0.303	34.500	0.331	39.012	0.276	35.555	0.306	28.400
South Asia	0.393	28.407	0.529	26.941	0.266	40.857	0.430	15.079
MENA Countries	0.472	26.400	0.654	17.979	0.307	40.800	0.524	17.800
East Asia and the Pacific	0.528	21.300	0.709	14.261	0.477	21.900	0.435	26.800
Europe and Central Asia	0.655	12.736	0.715	11.705	0.681	10.704	0.578	15.720
Latin America and the Caribbean	0.540	26.101	0.743	13.425	0.528	23.206	0.401	39.294
Inequality-adjusted HDI (IHDI): Human Development Index (HDI) value adjusted for inequalities in the three basic dimensions of human development, i.e., a long and healthy life, knowledge and a decent standard of living.								
Source: UNDP 2011								

Informal Employment in some MENA Countries



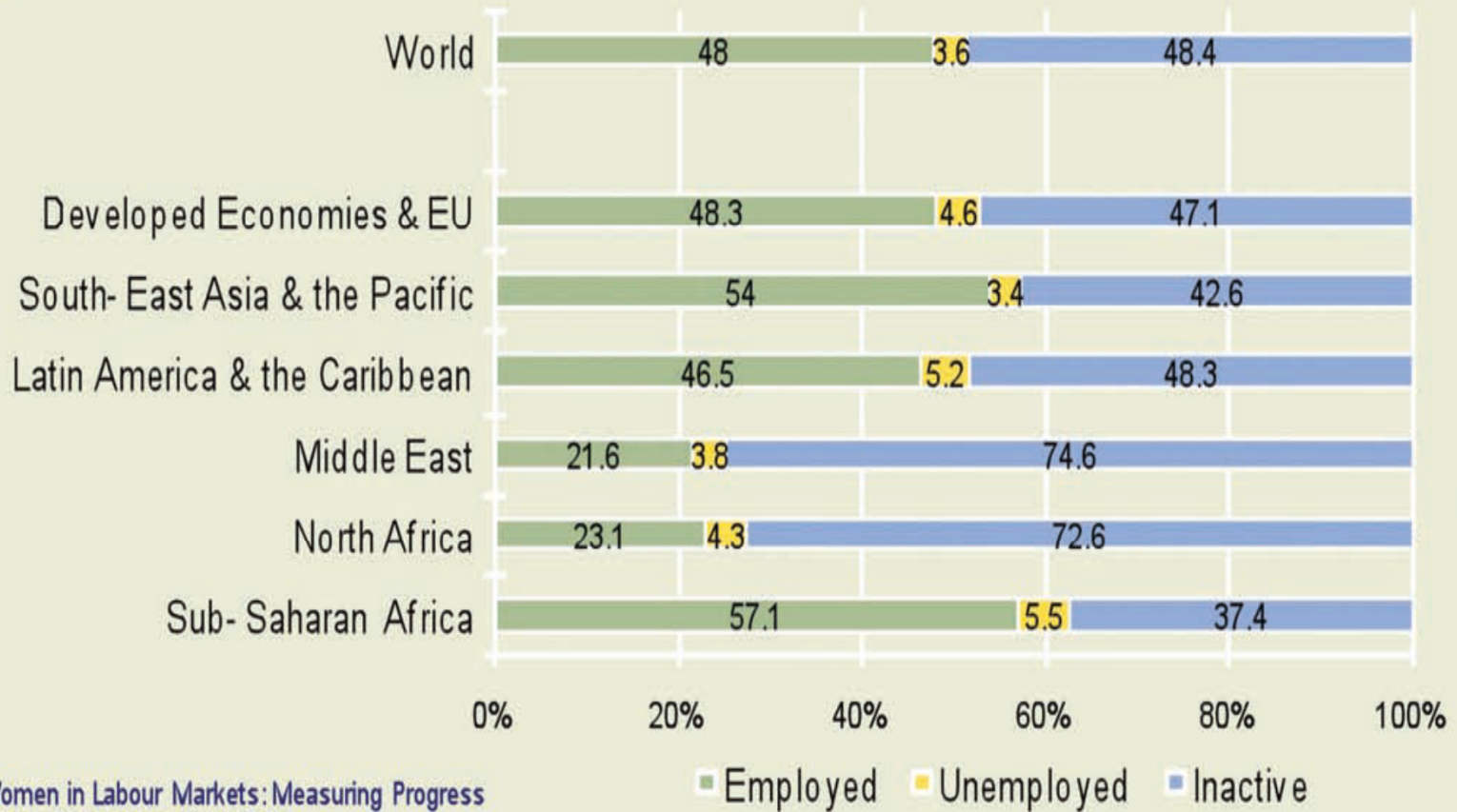
Source: ILO 2011

Gender Inequality

Gender Inequality Index and Related Indicators								
Regions	Gender Inequality Index	Maternal Mortality Ratio	Adolescent Fertility Rate	Seats in National Parliament (% Female)	Population with at Least Secondary Education		Labor Force Participation Rate	
					Female	Male	Female	Male
Sub-Saharan Africa	0.610	618.928	119.739	19.763	22.155	34.936	62.853	81.188
South Asia	0.601	251.866	77.401	12.450	27.348	49.185	34.566	81.157
MENA Countries	0.563	191.758	44.357	11.969	32.857	46.230	26.017	77.112
East Asia and the Pacific	..	79.430	19.753	20.213	48.109	61.285	64.235	80.348
Europe and Central Asia	0.311	29.075	28.033	13.363	78.038	83.326	49.669	67.759
Latin America and the Caribbean	0.445	79.872	73.743	18.732	50.506	52.173	51.740	79.938
Source:UNDP 2011 Report								
Gender Inequality Index: A composite measure reflecting inequality in achievements between women and men in three dimensions: reproductive health, empowerment and the labor market.								

Female Participation in the Workforce

Female



Source: Women in Labour Markets: Measuring Progress and Identifying Challenges, ILO, 2010

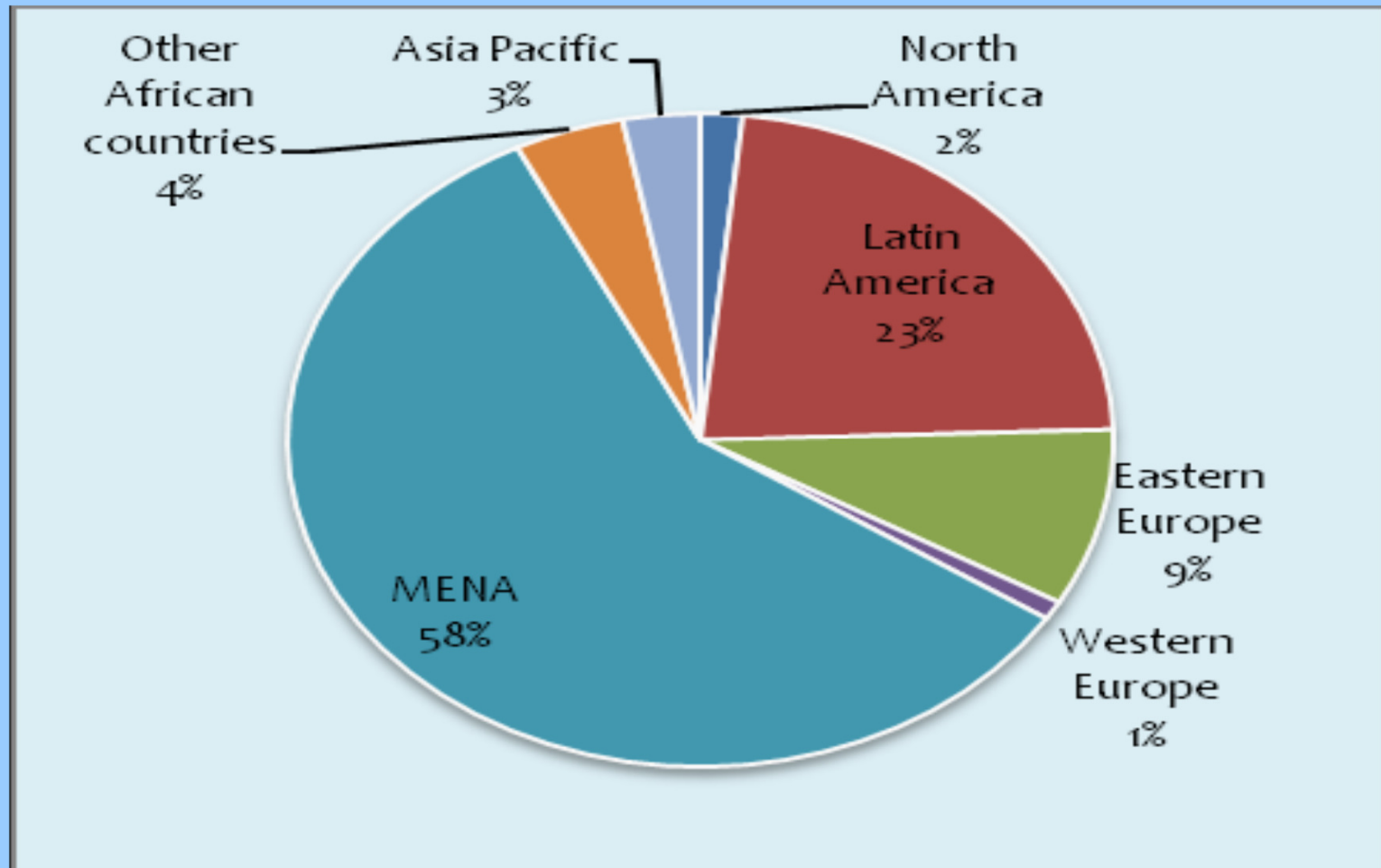
Youth Labor Participation Rate

Youth Labor Participation Rate	Total(%)			Male(%)			Female(%)		
	2000	2010	2015	2000	2010	2015	2000	2010	2015
World	53.8	50.9	50.2	62.5	58.9	58.2	44.7	42.4	41.6
Developed Economies & EU	53.1	50.2	50.2	55.9	52.6	52.5	50.3	47.7	47.9
Central and South Eastern Europe (non EU & CIS)	42.4	41.7	40.8	48.9	47.7	47.0	35.7	35.5	34.3
East Asia	67.2	59.2	56.9	65.8	57.0	55.0	68.7	61.6	59.2
South-East Asia & the Pacific	55.8	51.3	50.6	63.5	59.1	57.9	48.0	43.3	42.9
South Asia	48.0	46.5	46.3	66.1	64.3	64.0	28.5	27.3	27.2
Latin America & the Caribbean	54.2	52.1	51.4	66.5	61.3	59.3	41.7	42.7	43.5
Middle East	36.9	36.3	34.7	52.6	50.3	48.1	20.2	21.5	20.5
North Africa	39.4	37.9	36.5	53.4	52.5	50.2	25.1	22.9	22.3
Sub-saharan Africa	57.8	57.5	57.4	64.1	62.7	62.1	51.4	52.2	52.7

Source: ILO, Economically Active Population Estimates and Projections, 5th Edition, revision 2009.

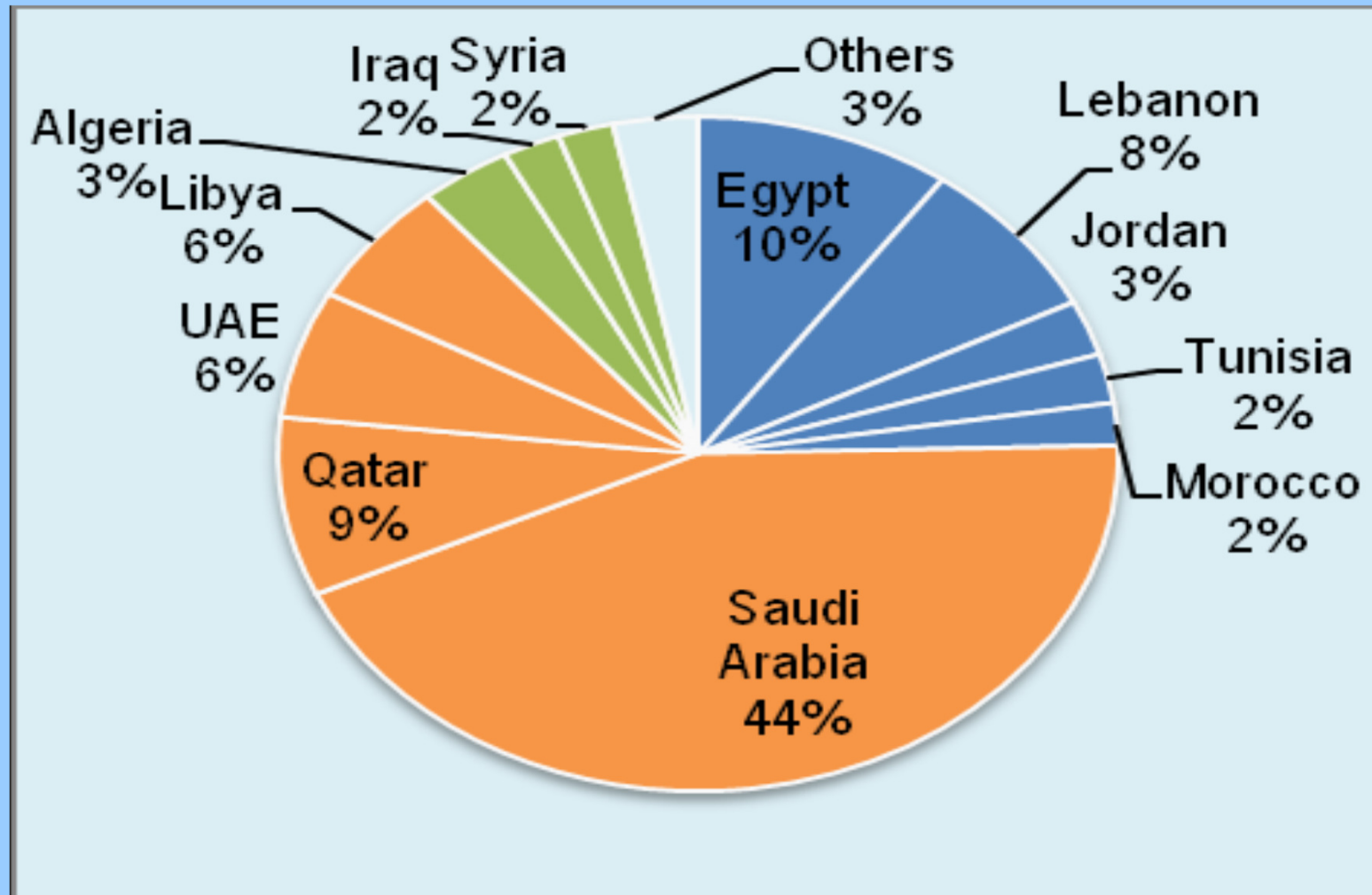
**“Intermediate” Variables:
Factors
that Affect Performance**

World Proven Crude Oil Reserves by Region, 2010



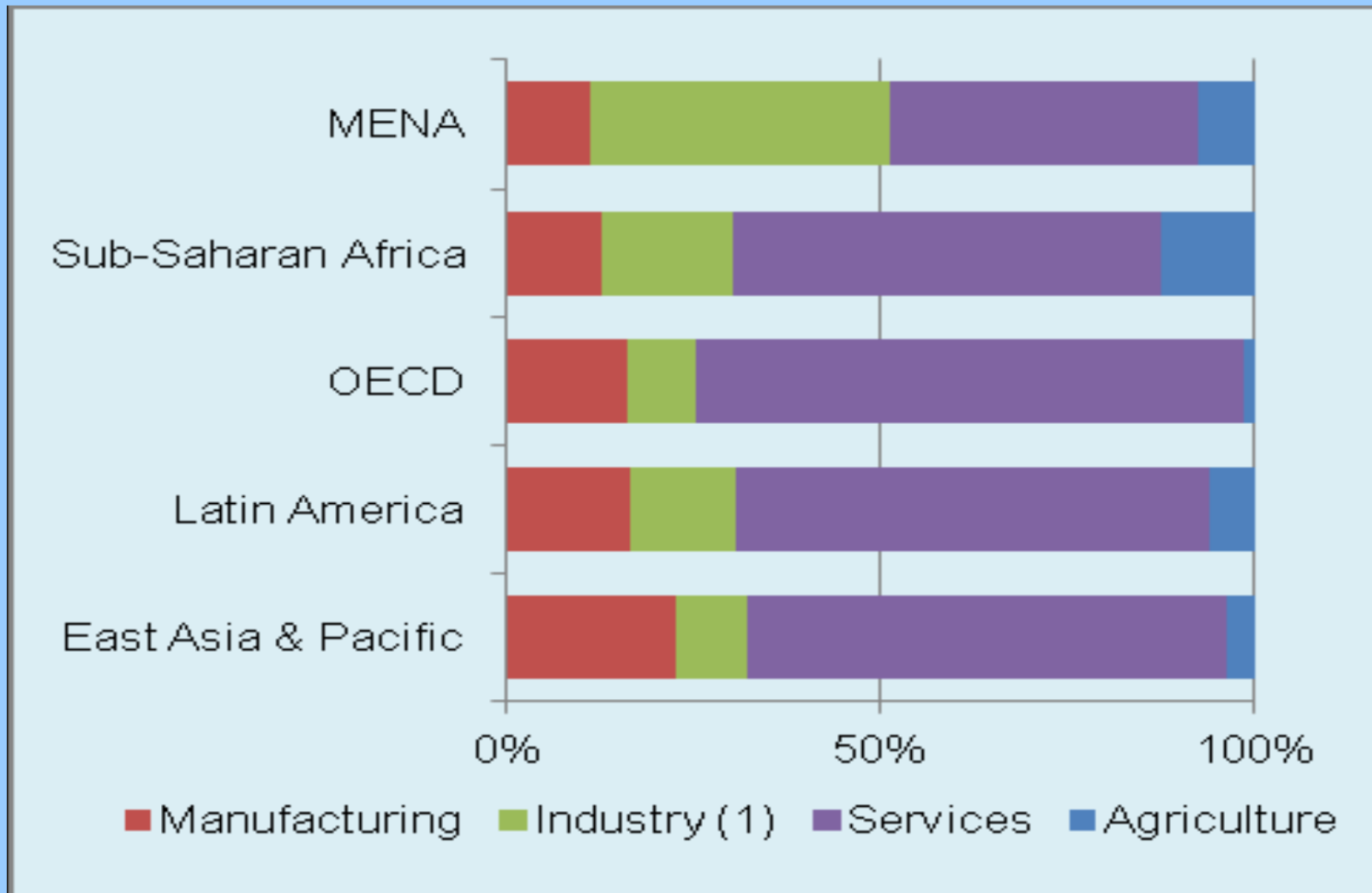
Source: OPEC 2010.

FDI Inflows to the MENA Region, 2010



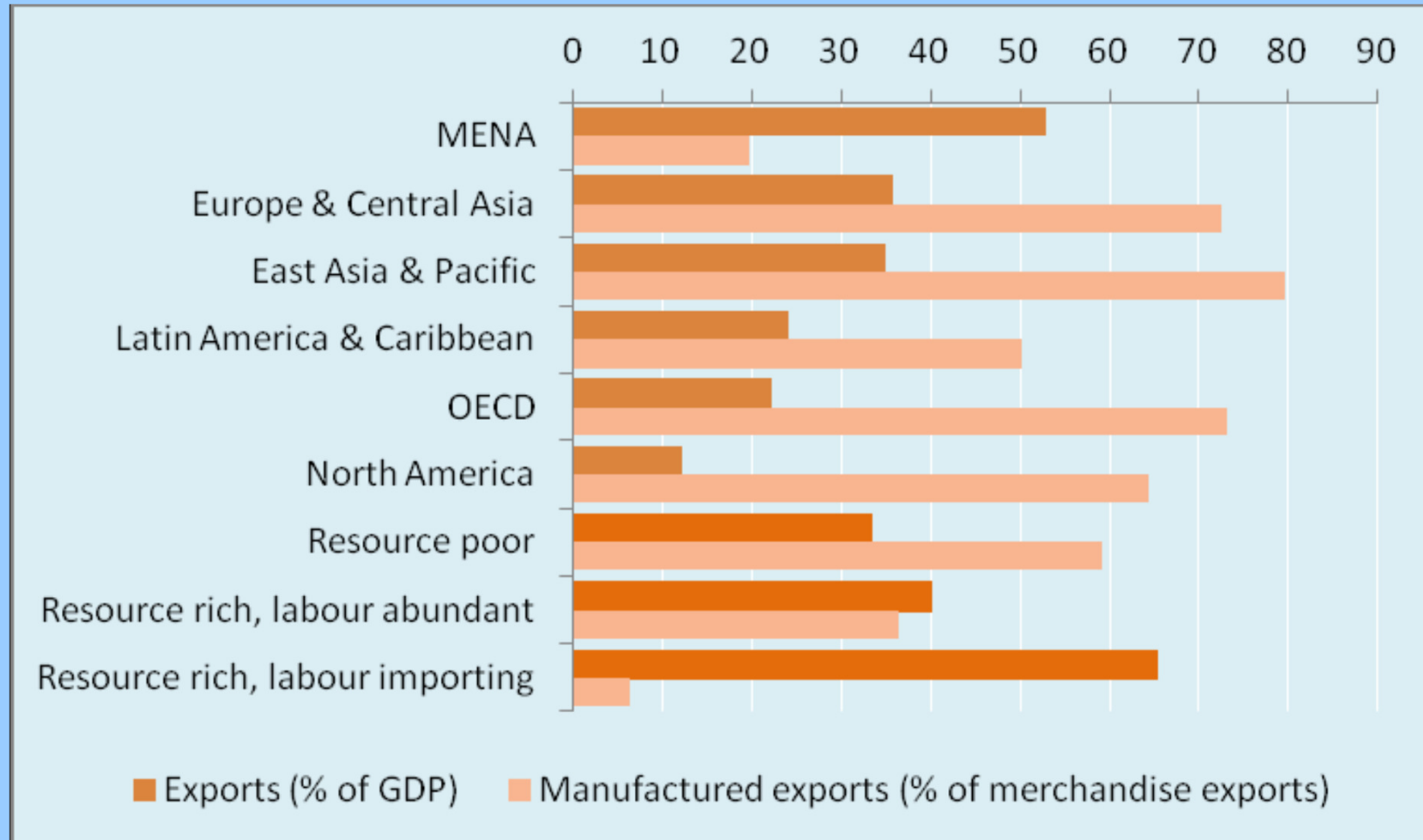
Source: UNCTAD 2011.

Value Added in Selected Regions



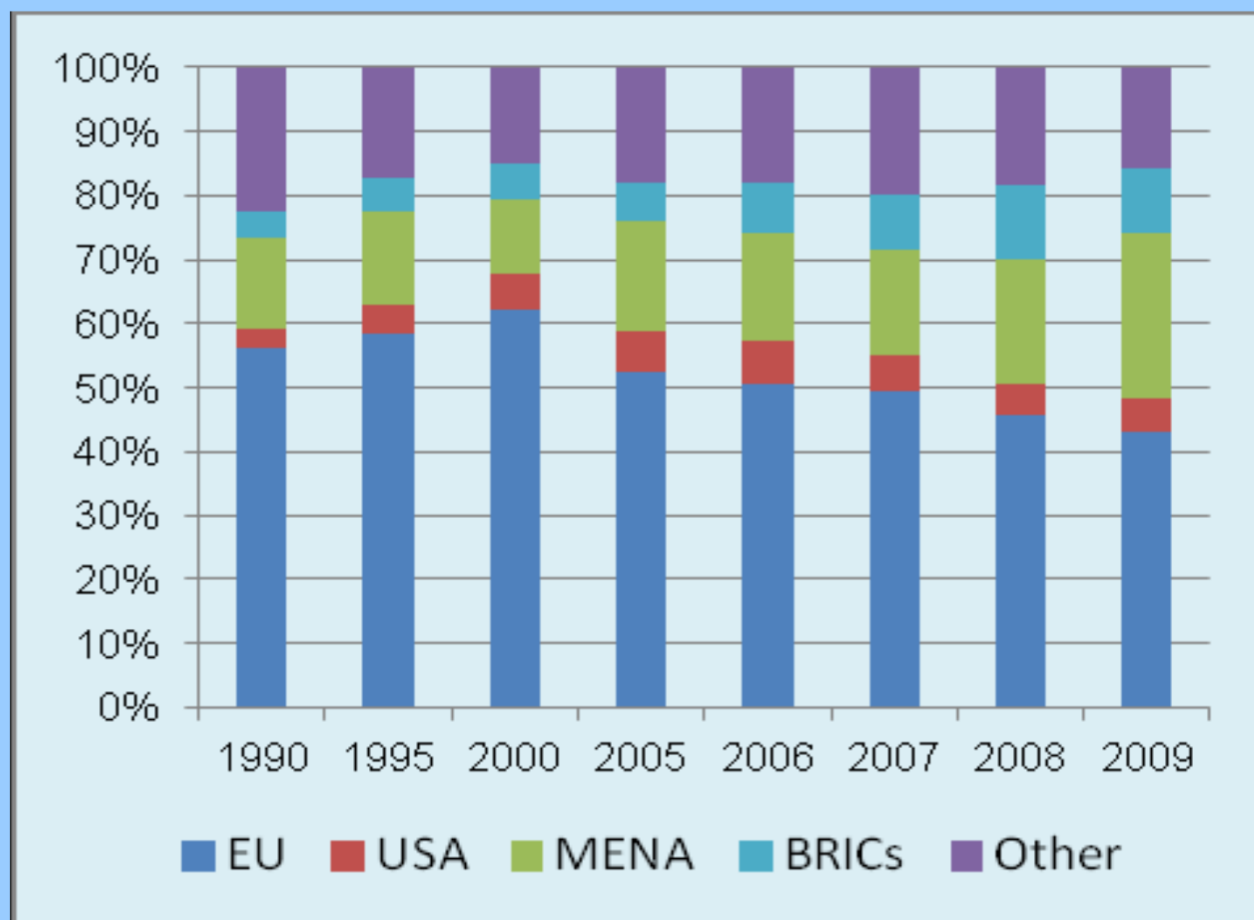
Source: World Bank 2010 and Klapper and Love 2010

Exports as a share of GDP are high in MENA, but manufactured exports are comparatively low



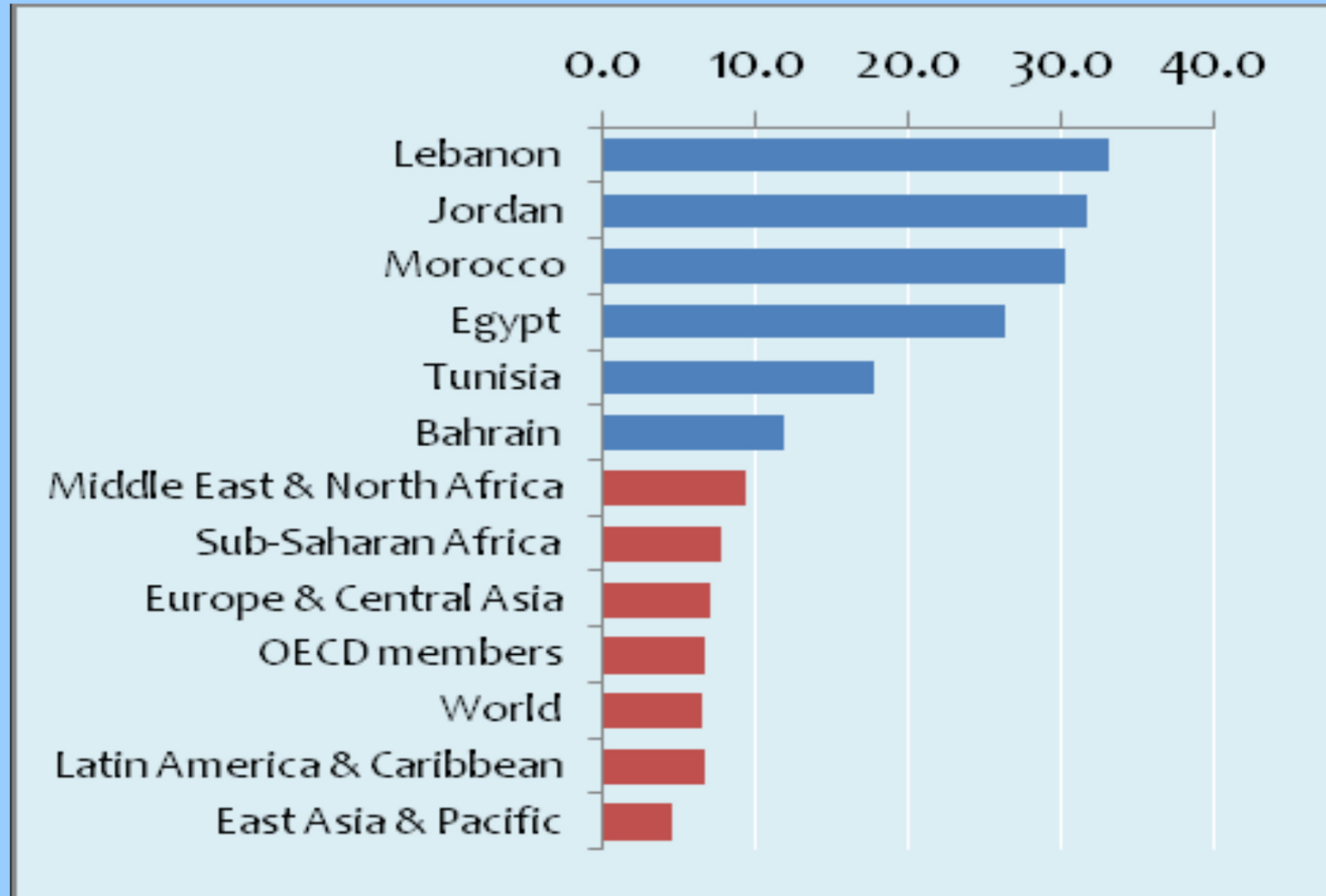
Source: World Bank 2011

Resource-poor Countries' main Export Market is the EU



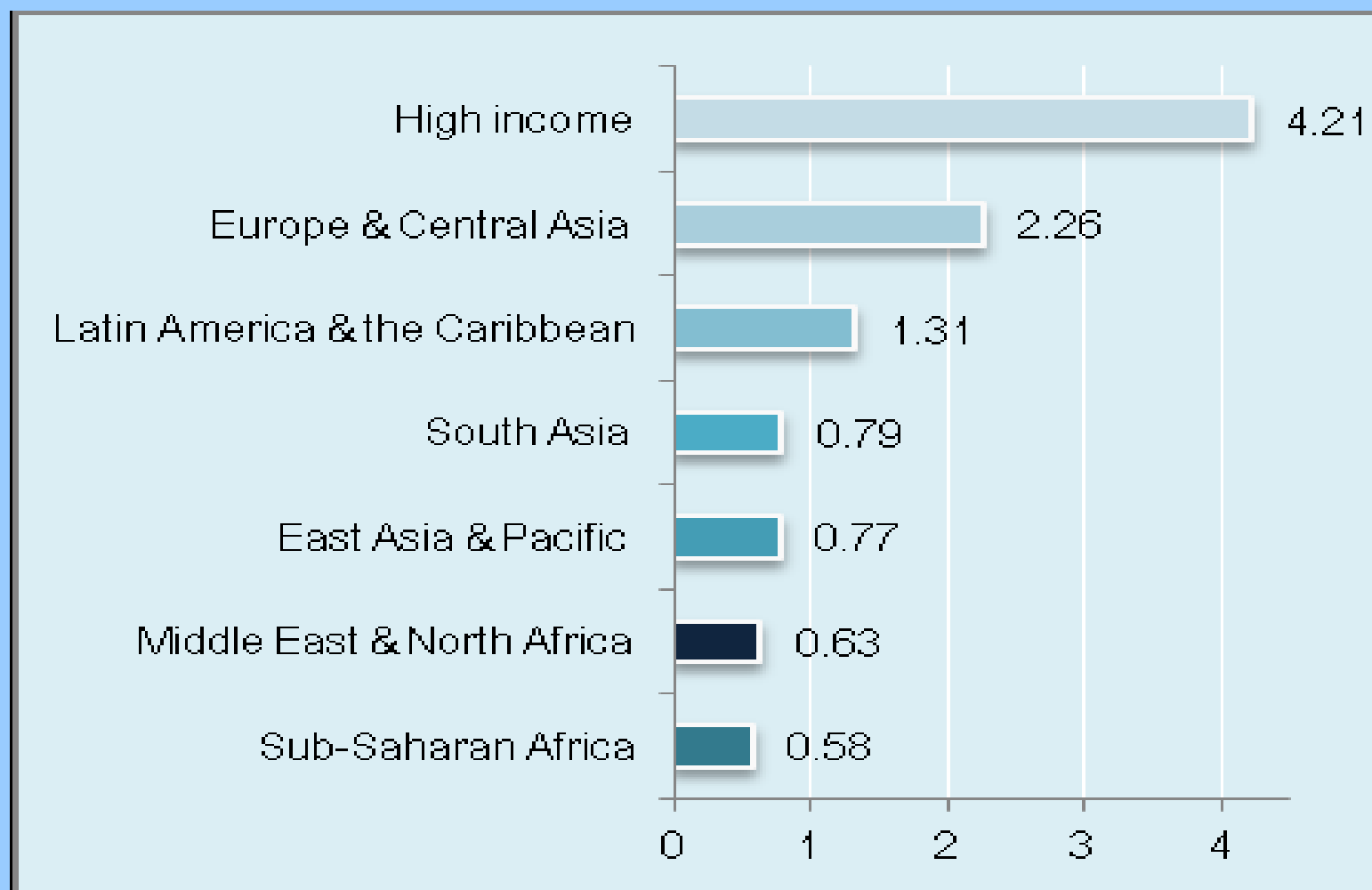
Source: IMF 2011

International Tourism Receipts as percent of Total Exports



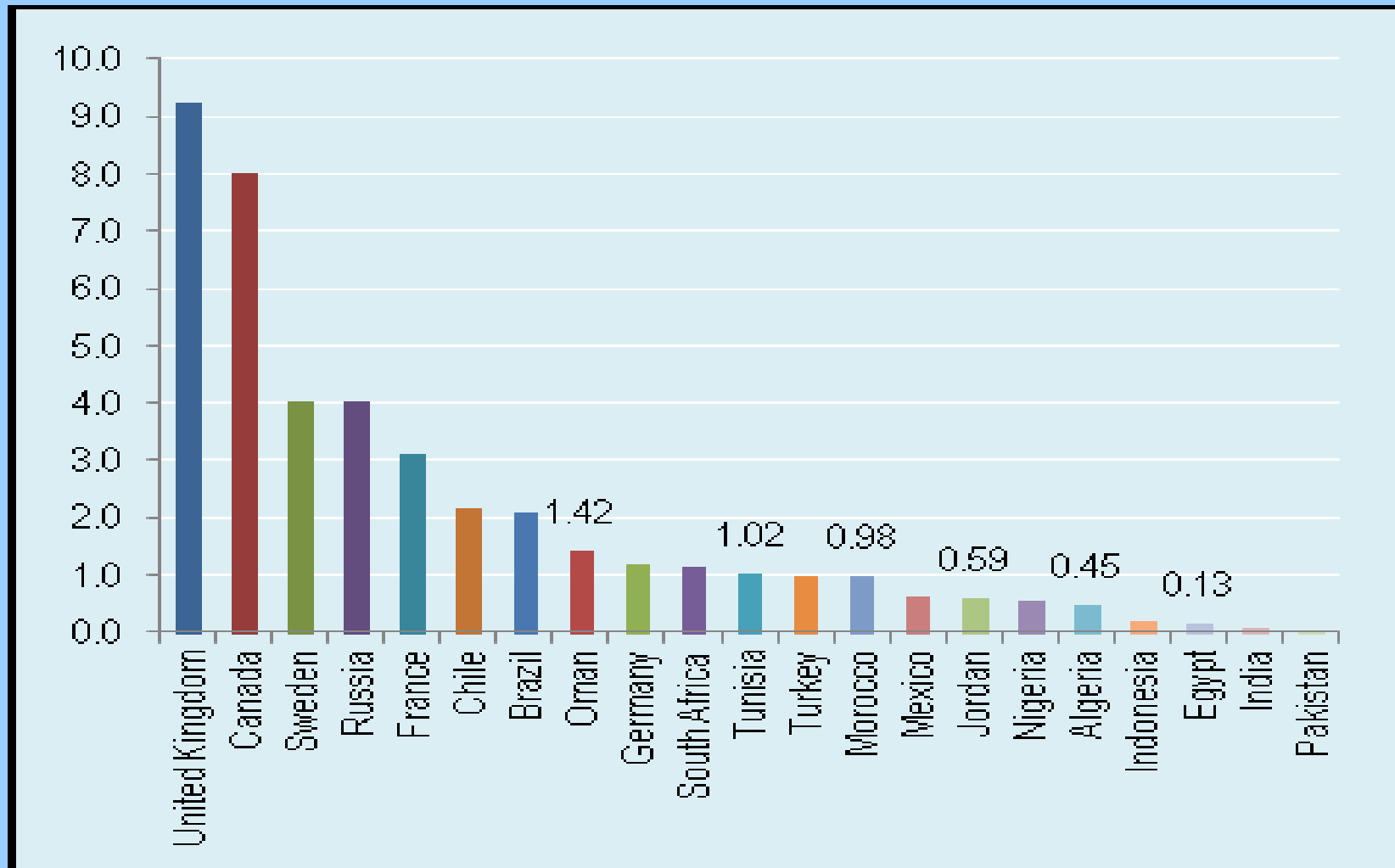
Sources: IMF 2011d and World Bank 2011

Firm Entry Density by Region 2004–2009 averages



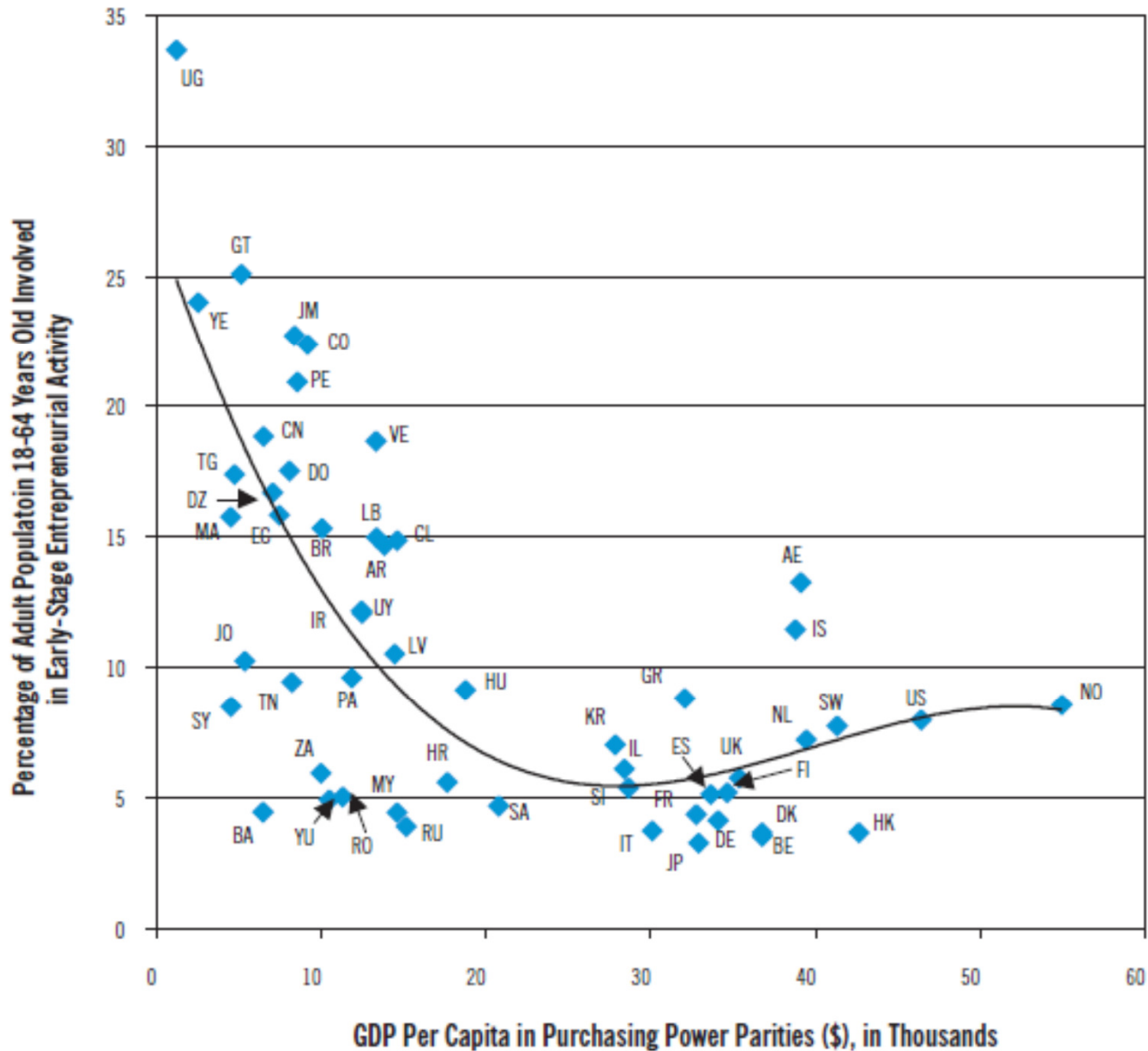
Source: World Bank 2010, and Klapper and Love 2010

Firm Entry Density in Selected Economies 2004–2009 Averages



Source: World Bank 2010, and Klapper and Love 2010

Total Early-Stage Entrepreneurial Activity in 2009



Source:
GEM
Global
Report
2009

The chart indicates that for countries with low levels of per capita income the national economy is characterized by the existence of many very small businesses. As per capita income increases, industrialization and economies of scale allow larger and established firms to satisfy the increasing demand of growing markets and to increase their relative role in the economy.

An important factor for achieving growth is the presence of macro-economic and political stability, which is reflected by the development of strong institutions, from commonly accepted norms of behavior to transparent and respected legal and regulatory systems.

The increase in the role of large firms may be accompanied by a reduction in the number of new businesses, as a growing number of people find stable employment in large industrial plants.

Technology Penetration Rates

2009	World	Western Europe	Sub Saharan Africa	North America	Middle East and North Africa	Latin America	East and Central Europe
Telephone main lines (per 100 people)	17.5	36.5	2.5	40.4	15.0	19.7	24.3
Mobile subscribers (per 100 people)	73.7	126.0	62.4	88.3	92.0	89.9	123.0
Internet users (per 100 people)	30.7	71.2	21.1	76.9	25.0	38.6	53.5
Broadband subscriber lines (per 100 people)	8.8	28.0	0.4	26.0	4.4	7.5	14.7
Personal computers (stock per 1,000 pop)	271.0	671.0	79.0	955.0	155.0	223.0	453.0

Source: Economist Intelligence Unit

Corruption

Corruption remains a major issue in many MENA countries....

Transparency International Rankings for 2011

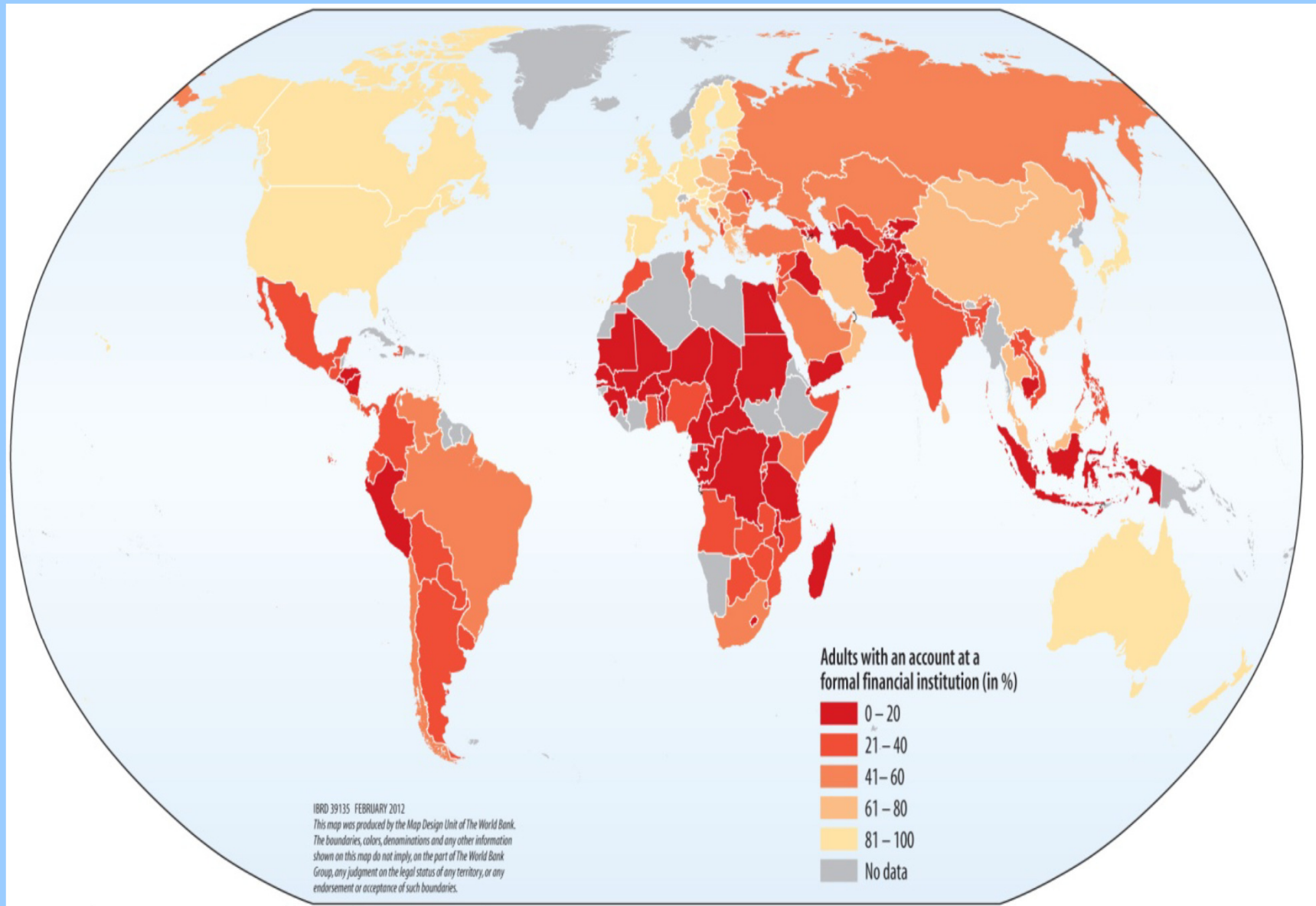
Country Rank	Regional Rank	Country / Territory	CPI 2011 Score
22	1	Qatar	7.2
28	2	United Arab Emirates	6.8
36	3	Israel	5.8
46	4	Bahrain	5.1
50	5	Oman	4.8
54	6	Kuwait	4.6
56	7	Jordan	4.5
57	8	Saudi Arabia	4.4
73	9	Tunisia	3.8
80	10	Morocco	3.4
112	11	Algeria	2.9
112	11	Egypt	2.9
120	13	Iran	2.7
129	14	Syria	2.6
134	15	Lebanon	2.5
164	16	Yemen	2.1
168	17	Libya	2.0
175	18	Iraq	1.8

Source: Transparency International 2011

Access Indicators

Access Indicators by Region			
Regions	Banks Deposits Accounts per 1000 adults	Bank Loan Accounts per 1000 adults	Private Credit as % of GDP
Sub-Saharan Africa	315.5	87.5	23.7
South Asia	653.8	54.2	43.9
Middle East and North Africa	744	213.3	50.6
Europe and Central Asia	1395.4	325.2	45.8
East Asia and Pacific	1169.9	343.9	58.4
Latin America and Caribbean	1227.5	366.8	44.7
High Income non- OECD	1865	851.5	83.4
High Income OECD	2383.7	702.4	130.8
<i>Source: CGCP and World Bank Financial Access 2010. International Financial Statistics</i>			

Account Penetration



Demirguc-Kunt, Asli and Leora Klapper. 2013.

Domestic Credit Provided to the Private Sector

Domestic Credit Provided to the Private Sector as % GDP										
Country Name	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Sub-Saharan Africa	58.32	62.18	63.26	56.23	65.60	64.09	61.53	59.42	54.43	47.99
South Asia	46.64	46.82	44.10	45.30	42.52	40.78	37.69	34.41	30.24	30.38
Middle East & North Africa	48.64	53.23	52.75	46.63	45.88	41.57	41.69	40.63	41.28	42.45
Europe & Central Asia	123.32	127.03	130.19	123.52	119.05	111.87	106.78	102.86	100.76	98.59
East Asia & Pacific	134.97	136.77	139.76	127.60	130.55	136.31	142.30	142.54	149.52	148.26
Latin America & Caribbean	44.80	40.47	38.84	37.91	36.00	31.12	26.13	24.16	24.11	25.95
High income: non-OECD	78.30	83.36	85.90	71.35	69.37	64.78	67.16			
High income: OECD	161.88	167.30	169.94	159.94	164.74	162.26	156.01	150.73	149.01	144.23
Source :World Bank										

Insurance

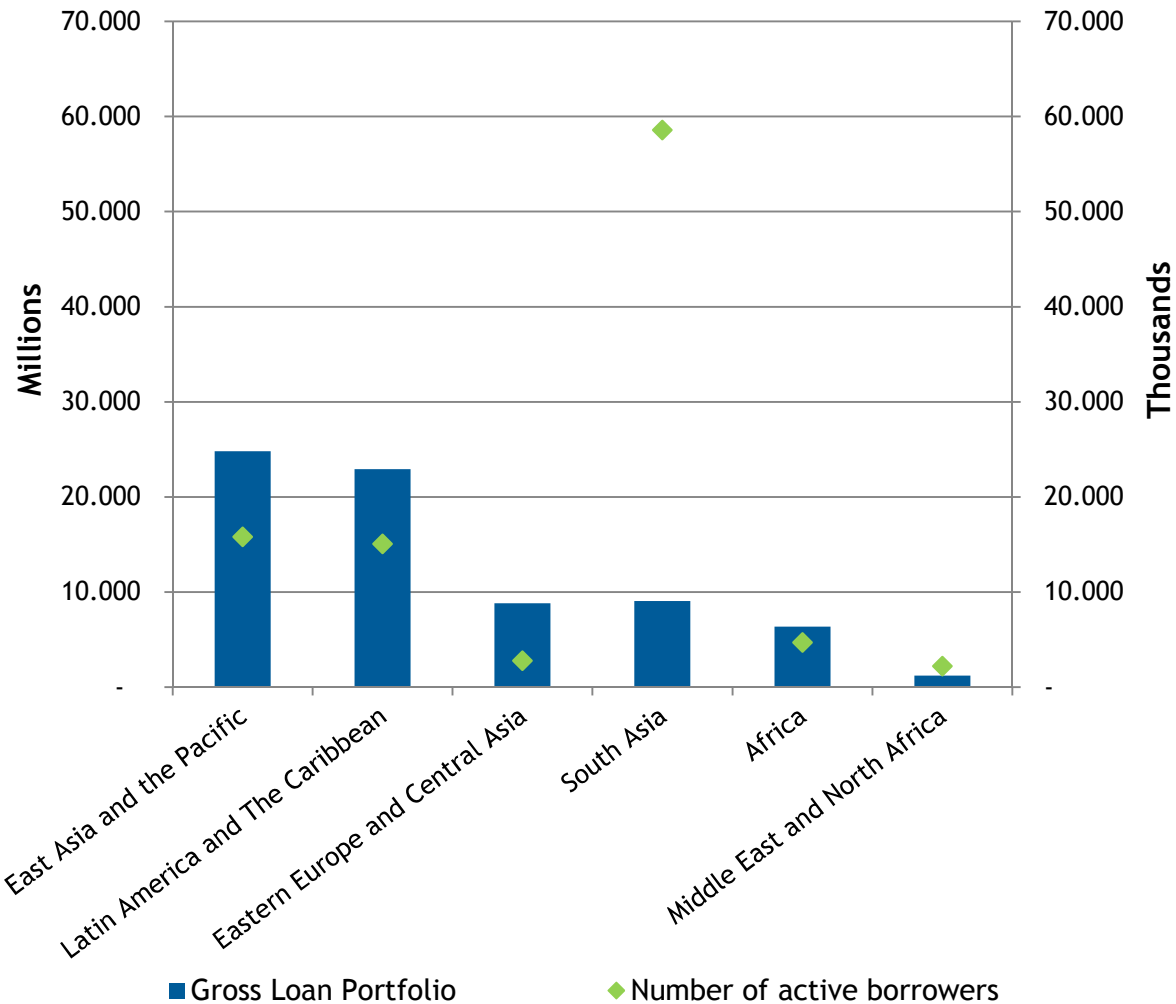
Life Insurance Growth, Penetration and Density by Region					
Region	Premiums in US\$ m (2009)	Real Growth 2009	Share of World Markets in %	Premiums in % of GDP 2009	Premiums per capita in US\$ (2009)
America	579,626.00	-12.20	24.86	2.97	6,315.00
North America	536,001.00	-13.50	22.99	3.44	1,572.80
Latin America and Caribbean	43,625.00	7.80	1.87	1.11	75.60
Europe	953,515.00	3.50	40.90	4.52	1,111.00
Western Europe	935,520.00	4.10	40.12	5.24	1,811.00
Central and Eastern Europe	17,995.00	-20.10	0.77	0.58	55.80
Asia	732,267.00	1.80	31.41	4.51	1,803.00
Japan and newly Industrialized Asian Economies	538,067.00	-1.20	23.08	7.97	2,553.80
South and East Asia	187,355.00	11.40	8.04	2.45	52.90
MENA Countries	6,845.00	0.50	0.29	0.37	22.10
Africa	32,564.00	-15.00	1.40	2.15	32.30
Oceania	33,592.00	-19.40	1.44	3.12	930.70
World	2,331,566.00	-2.00	100.00	4.01	341.20
<i>Industrialized Countries</i>	2,046,957.00	-2.80	87.79	5.01	1,979.90
<i>Emerging Markets</i>	284,609.00	4.20	12.21	1.54	48.80
OECD	1,975,474.00	-3.20	84.73	4.69	1,606.60
G7	1,573,924.00	-3.20	67.51	5.06	2,131.80
Euroland	628,772.00	11.50	26.97	4.64	1,765.10
EU, 27 countries	906,784.00	3.50	38.89	5.22	1,720.10
NAFTA	543,690.00	-13.30	23.32	3.30	1,207.10
ASEAN	28,252.00	2.00	1.21	1.97	55.40

Source: Swiss.Re Sigma 2/2009

Micro Finance Indicators

Microfinance Scale in the Region					
Regions	MFI Providers	Number of Active Borrowers	Active Borrowers/Working Age Population(%)	Gross Loan Portfolio (GLP)	GLP/Total Credit
Sub-Saharan Africa	208	6,732,155.00	1.48	3,162,740,041.00	4.71
South Asia	148	39,274,147.00	5.9	4,293,510,584.00	4.72
Middle East and North Africa	40	2,807,116.00	1.99	1,505,414,132.00	0.47
Europe and Central Asia	263	2,603,513.00	4.11	9,375,908,169.00	5.37
East Asia and Pacific	160	11,294,660.00	4.74	5,195,228,561.00	6.1
Latin America and Caribbean	327	12,781,340.00	4.93	15,334,944,785.00	7.14
<p><i>Source : CGCP and World Bank Financial Access 2010. International Financial Statistics</i></p>					

Lowest Outreach in MENA



In terms of total outreach and scale, the Arab region recorded the lowest compared to its global peers.

The region has among the lowest average loan balances, at 16 percent of GDP per capita, following South Asia and East Asia.

<http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=MwzqVtDK>

Political Prospects

It hardly needs stating that the external environment in the Middle East and North Africa is not conducive to democracy.

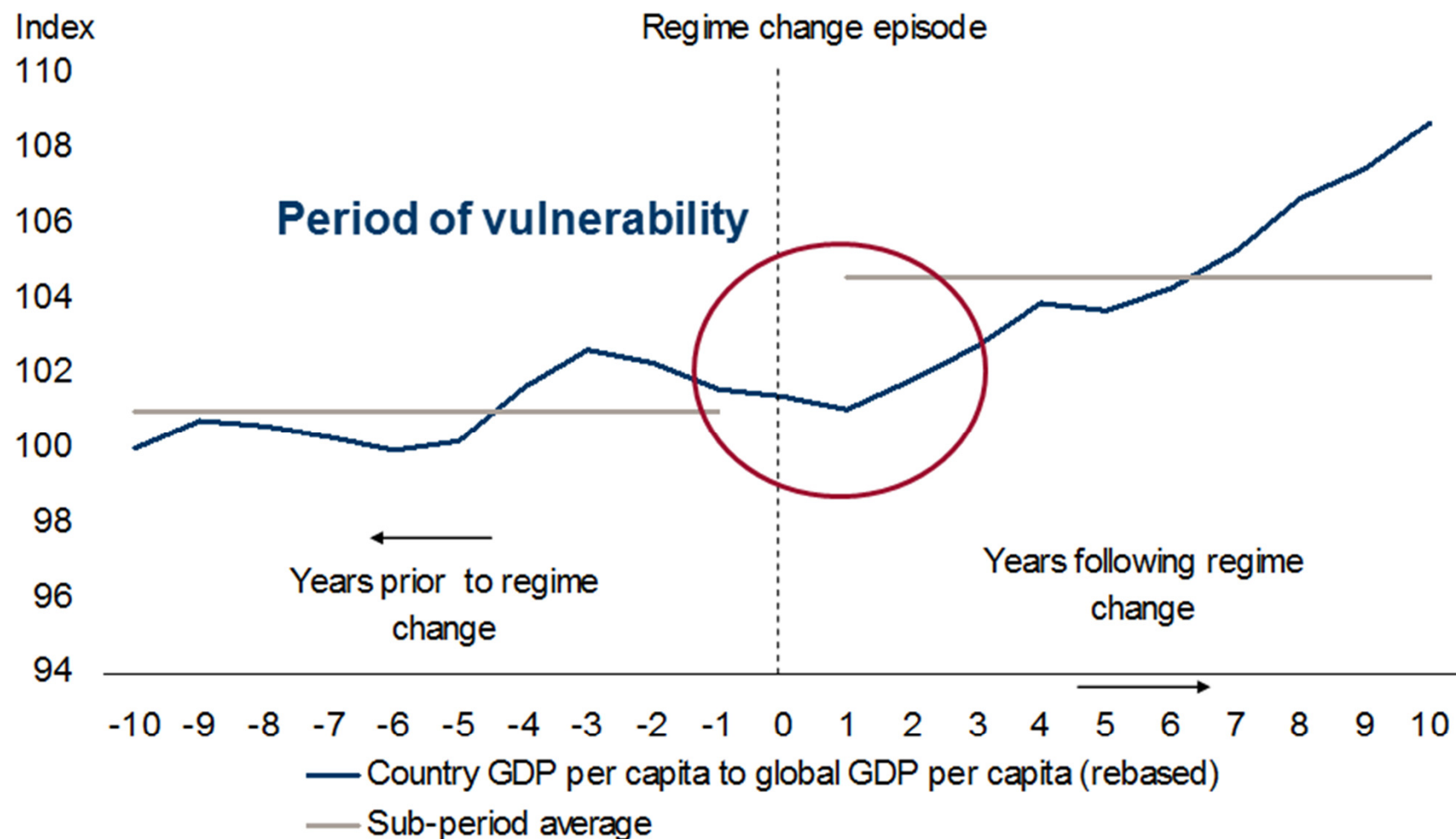
There is obviously no equivalent to the European Union and the region's relations to the West are, to put it mildly, rather fraught.

Further, both the threat of radical Islamism and key Western energy interests in the area will continue to make it tempting for Western actors to support non-Islamist authoritarian forces for some time to come.

Such factors by themselves do not doom democratic development, but they do suggest that, in stark contrast to Central and Eastern Europe, democratization in the Middle East and North Africa will hinge almost entirely on each country's domestic balance of power between pro- and anti-democratic forces.

May 2012

GDP per capita increases post-regime change



Strategies and Policies

Strategies and Policies

The strategies and policies should be not only comprehensive but also adapted to the particular needs, circumstances, and potential of each country.

Essential Bibliography

Demirguc-Kunt, Asli and Leora Klapper. 2013. Measuring Financial Inclusion Explaining Variation Across and Within Countries, Conference Spring 2013 Brookings Panel on Economic Activity , March 21-22, 2013

Kingdon John. 2010. Agendas, Alternatives, and Public Policies, Update Edition, with an Epilogue on Health Care (2nd Edition) (Longman Classics in Political Science)

Klapper, L. and I. Love. 2010. Entrepreneurship and the Financial Crisis: An Overview of the 2010 Entrepreneurship Snapshots (WBGES). Washington DC: World Bank Development Research Group.

Lucan Way. 2011. The Lessons of 1989 . The Journal of Democracy, October , Volume 22, Number 4

Ncube Mthuli and John C. Anyanwu . 2012. Inequality And Arab Spring Revolutions In North Africa And The Middle East,African Economic Brief, AFDB.

Salehi-Isfahani Djavad, 2010, Human Development in the Middle East and North Africa, UNDP