



Progress of Arab Economies in a Changing World



Arab Planning Institute
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worldbank.org/sdgs

Global Megatrends and Challenges

Demographic transitions

Urbanization

Climate and resources

Commodity cycles

Technological disruptions

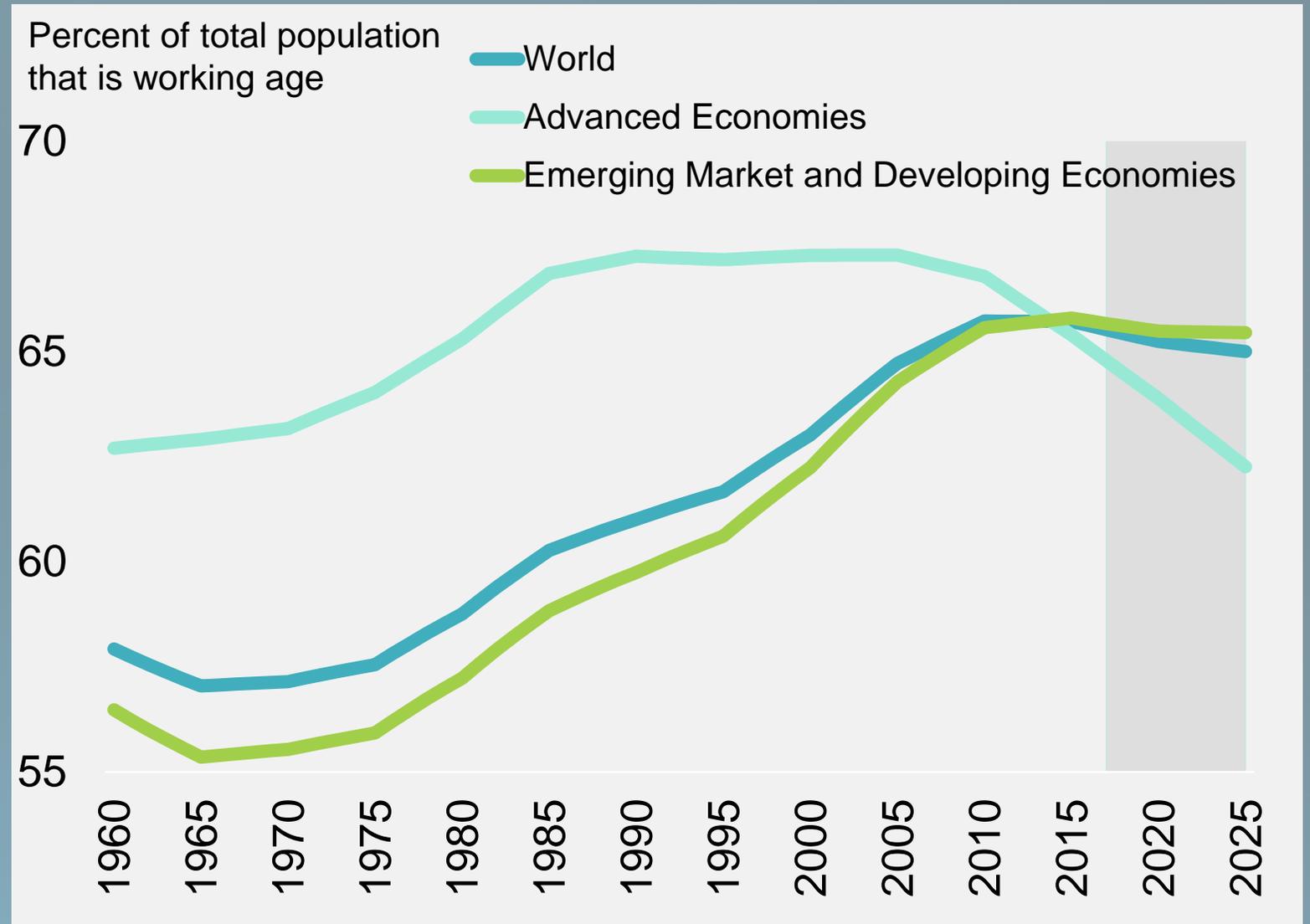
Fragility and violence

Shifts in the global economy

Renewed political debate about globalization

There was a demographic turning point in 2010

- Higher working-age population shares are associated with higher per capita output growth.
- Global demographic trends turned from tailwinds to growth into headwinds around 2010.



The world can be divided into four major demographic groups

Most of the global population lives in early- and late-dividend countries and while 78 percent of global growth was from late- and post-dividend countries, 90 percent of global poverty is in pre- and early-dividend countries

● Pre-dividend

→ Lagging in human development outcomes

● Early-dividend

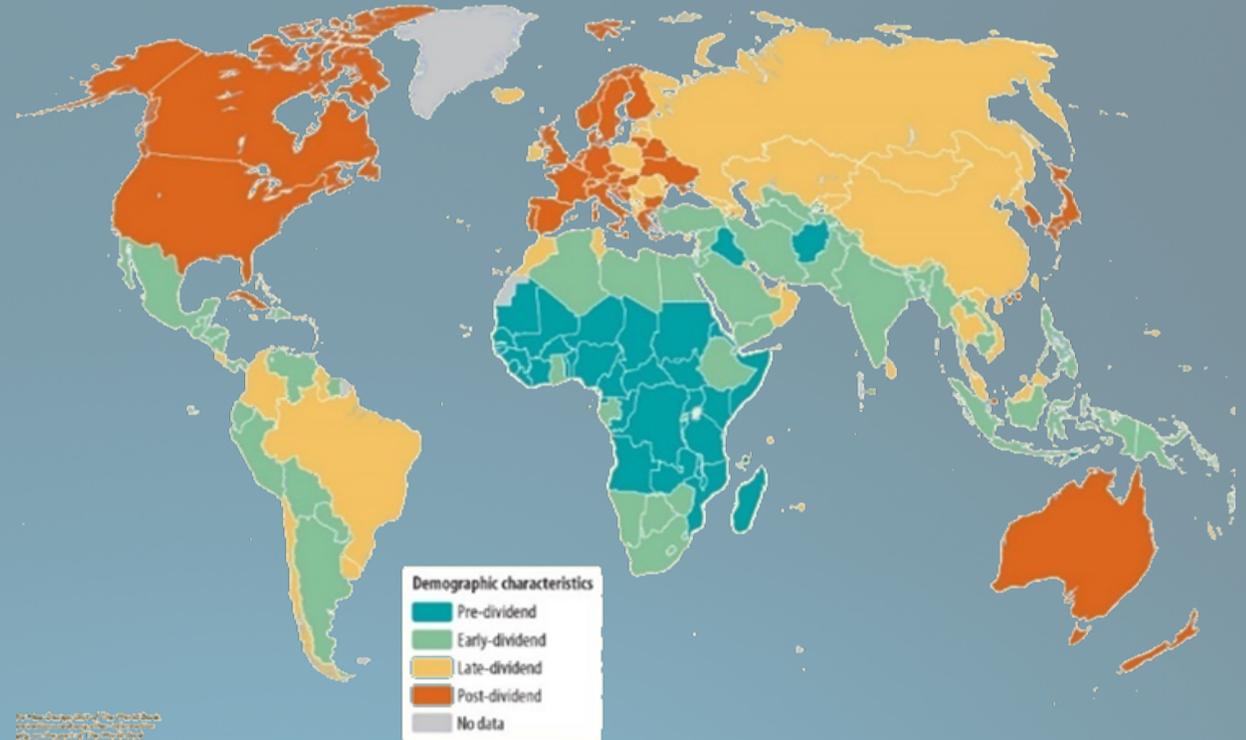
→ Job creation for rapidly growing share of working-age people, mostly youth

● Late-dividend

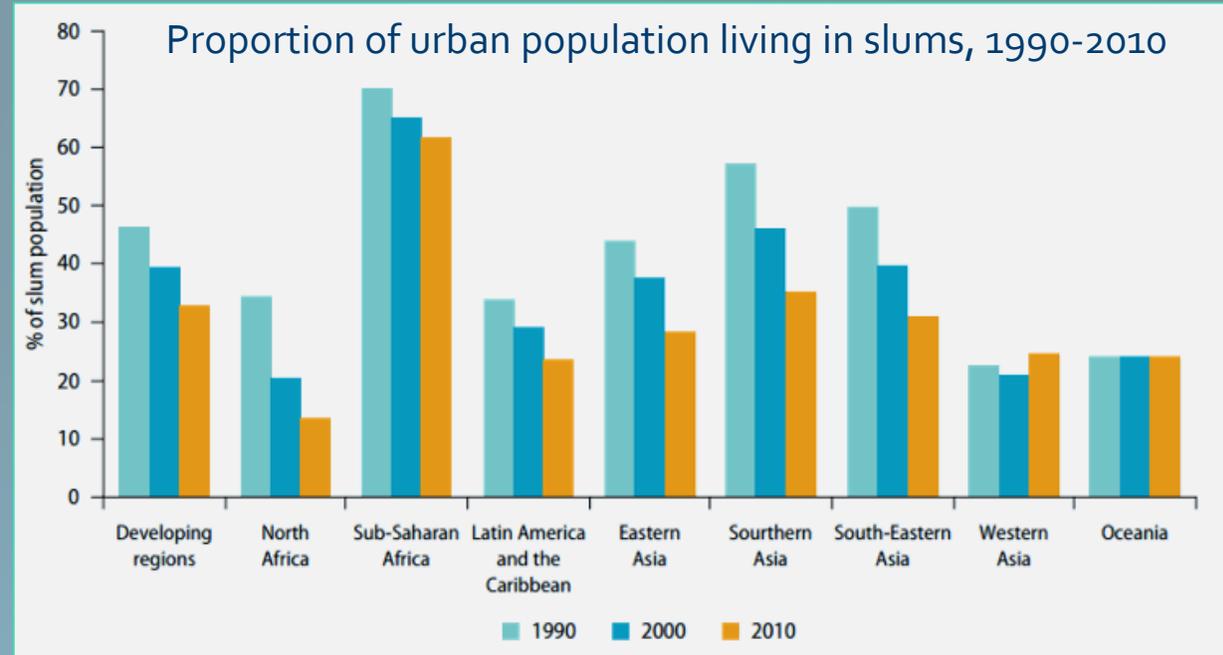
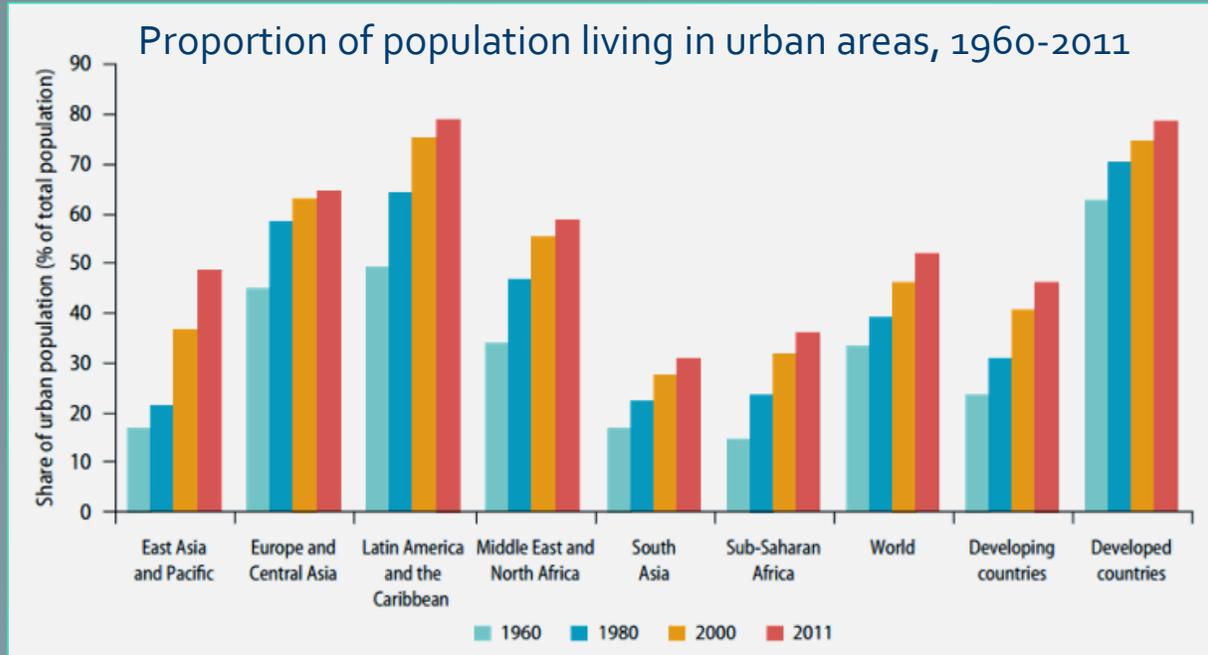
→ Populations beginning to age; potential slowdown in growth of labor supply

● Post-dividend

→ Adapting to aging to maintain living standards



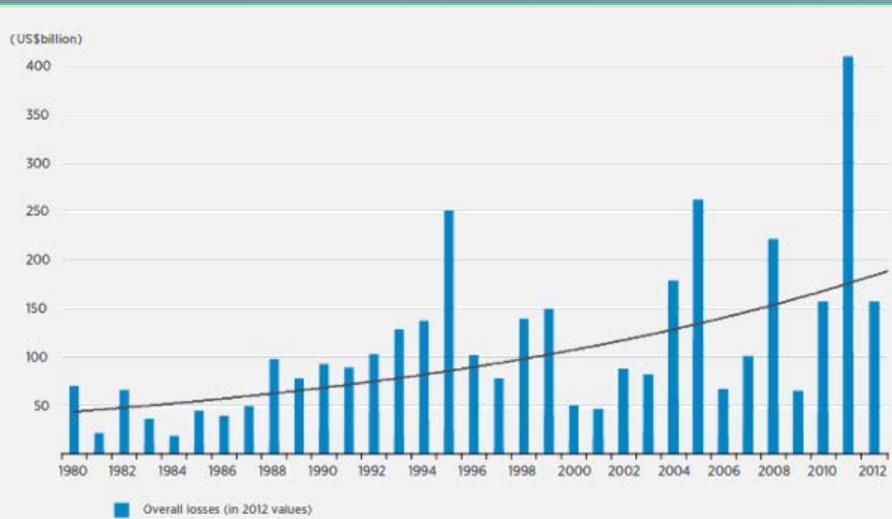
Well-managed urbanization can result in better development outcomes



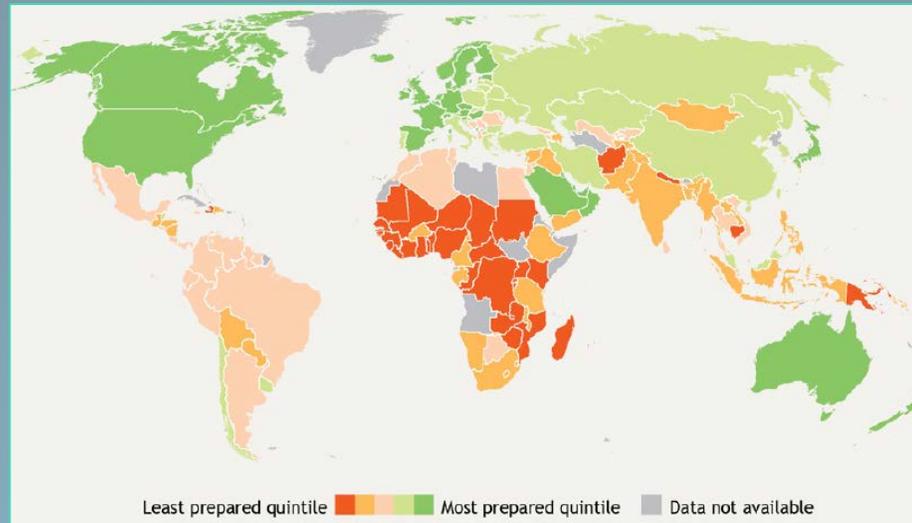
Climate change risks undoing development progress

The number of disasters and losses has been rising. Development progress needs to integrate resilience to avoid undoing hard fought development gains

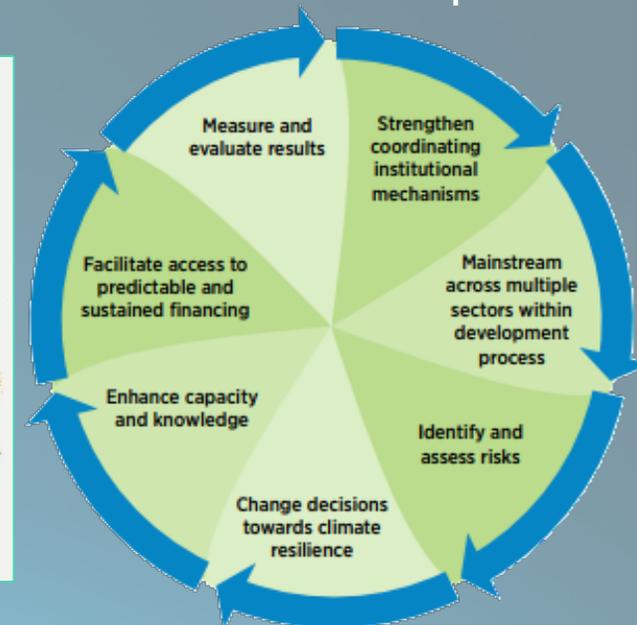
Global disaster losses, 1980–2012



Index of risk preparation across countries

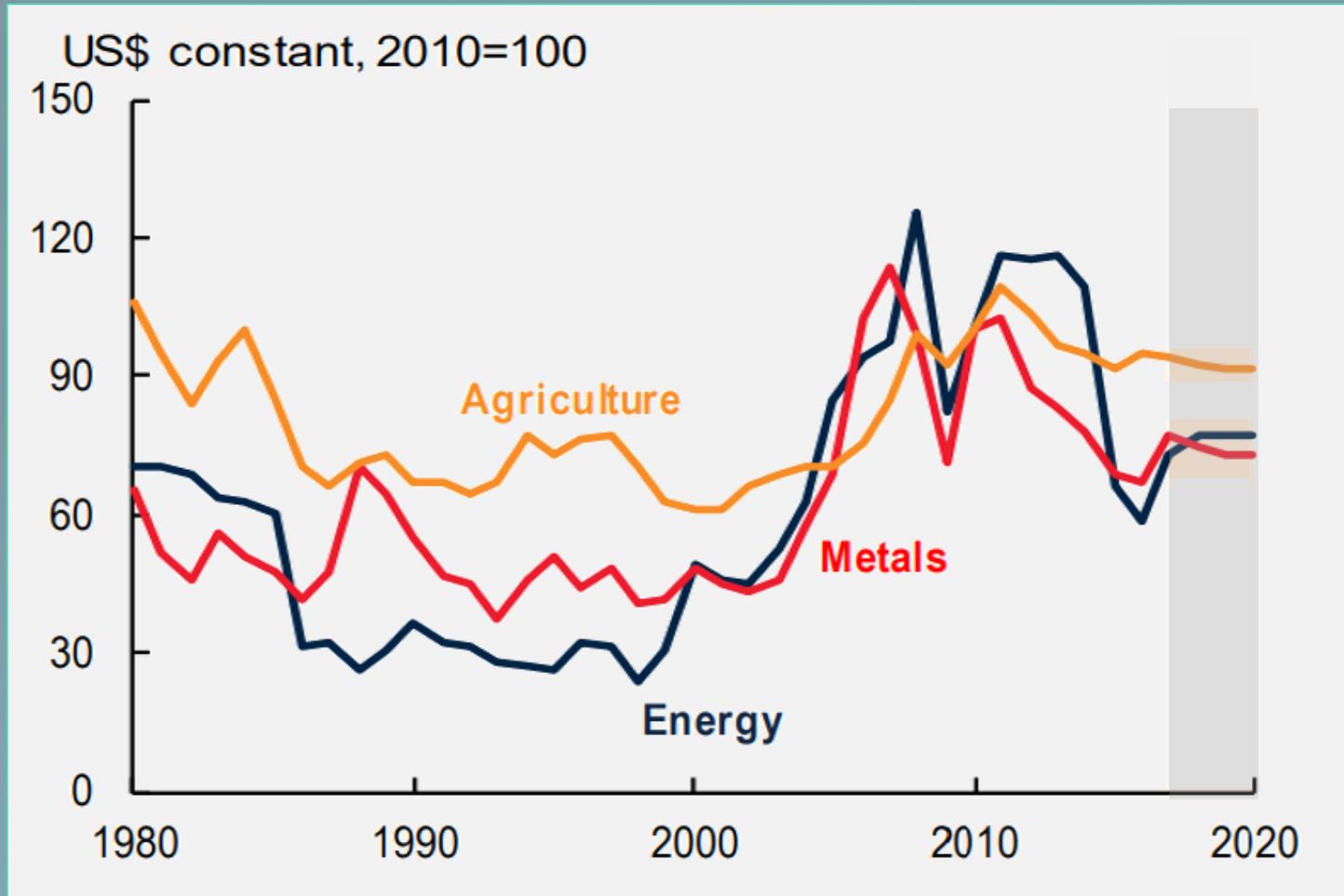


Process of integrating climate resilience into development

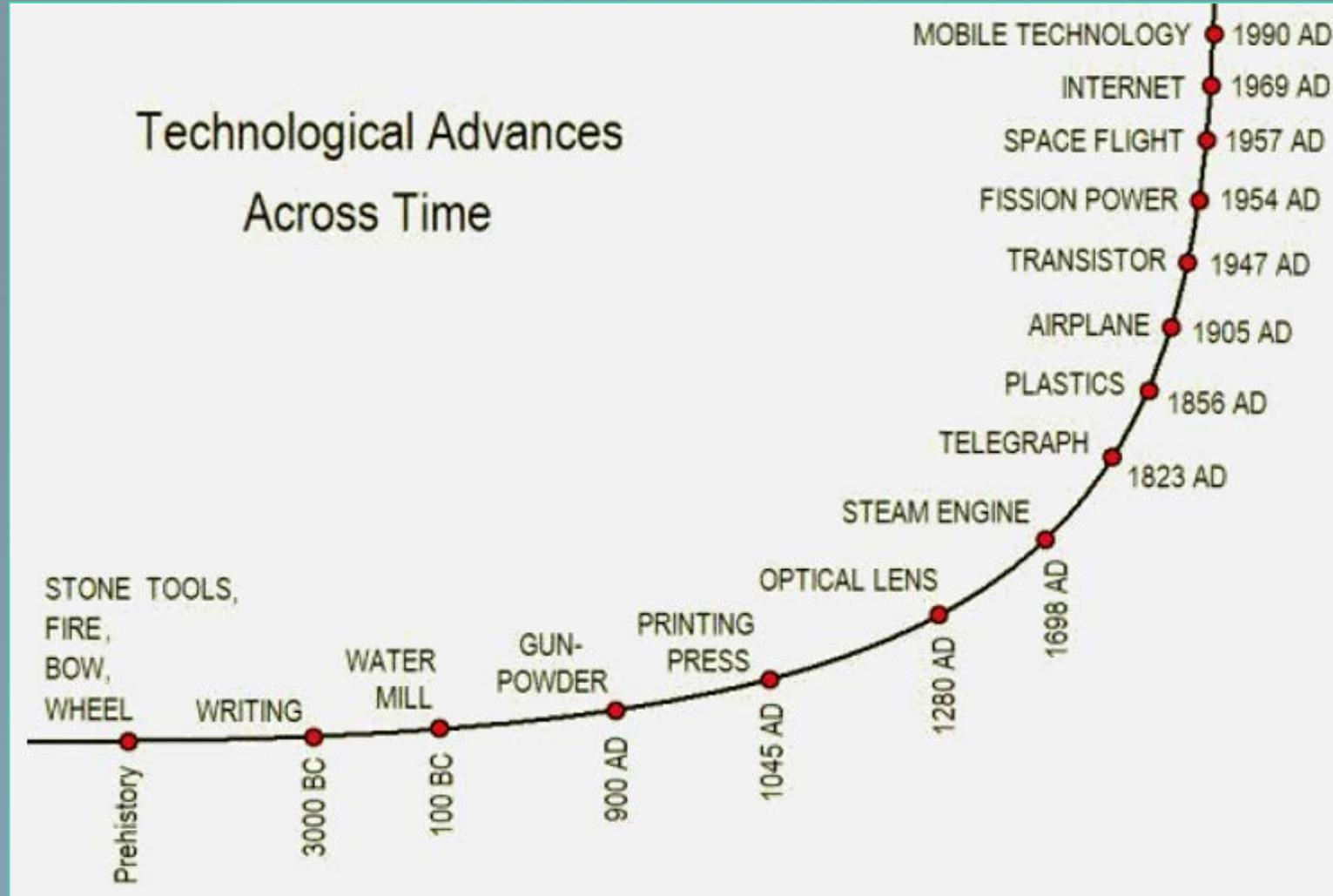


Commodity cycles exacerbate global economic volatility

Commodity price indexes, annual

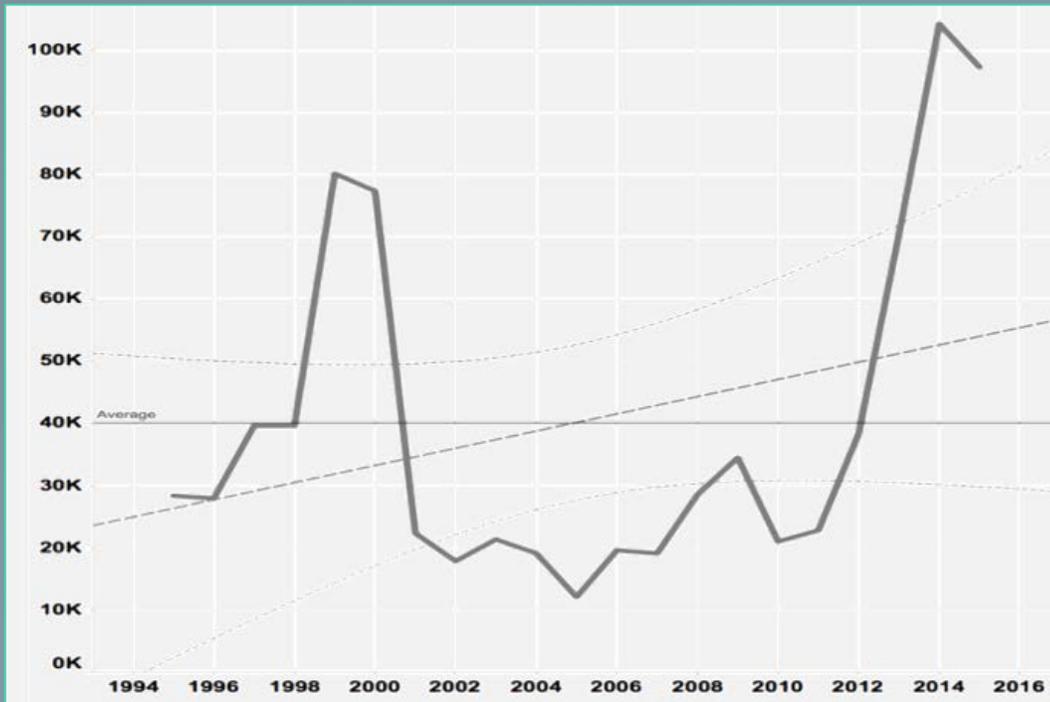


The rate of technological advancement is unprecedented

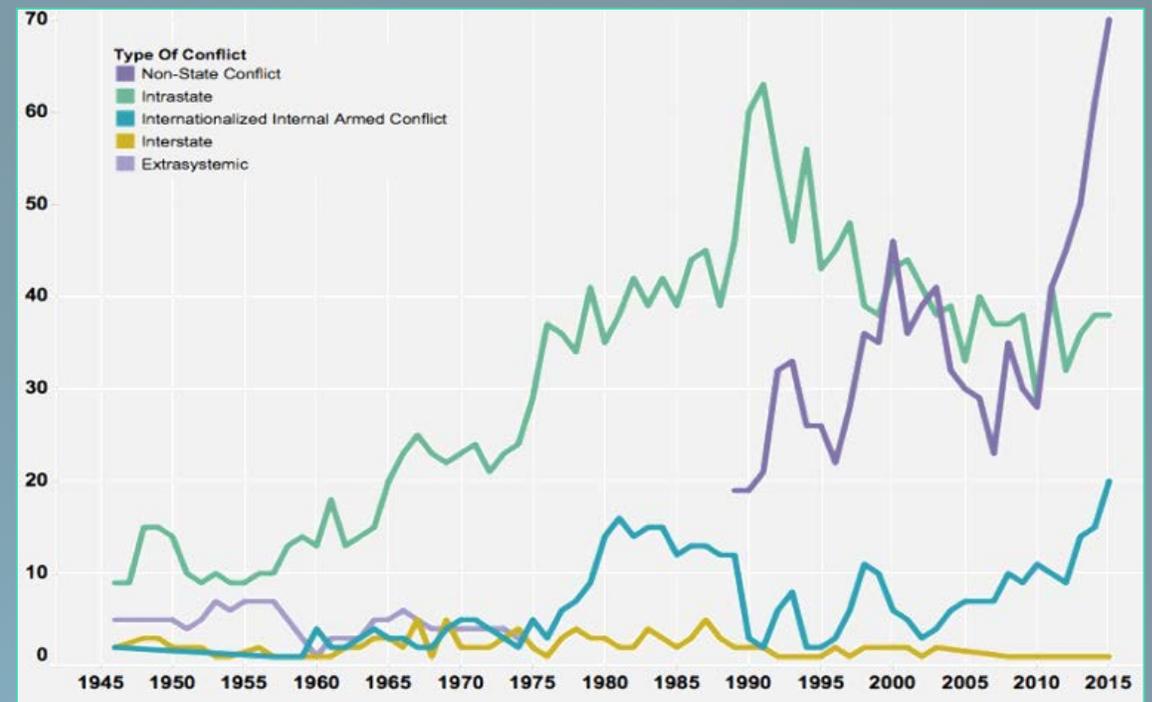


Violent conflict is increasing and becoming more complex

Number of people killed by violent conflict

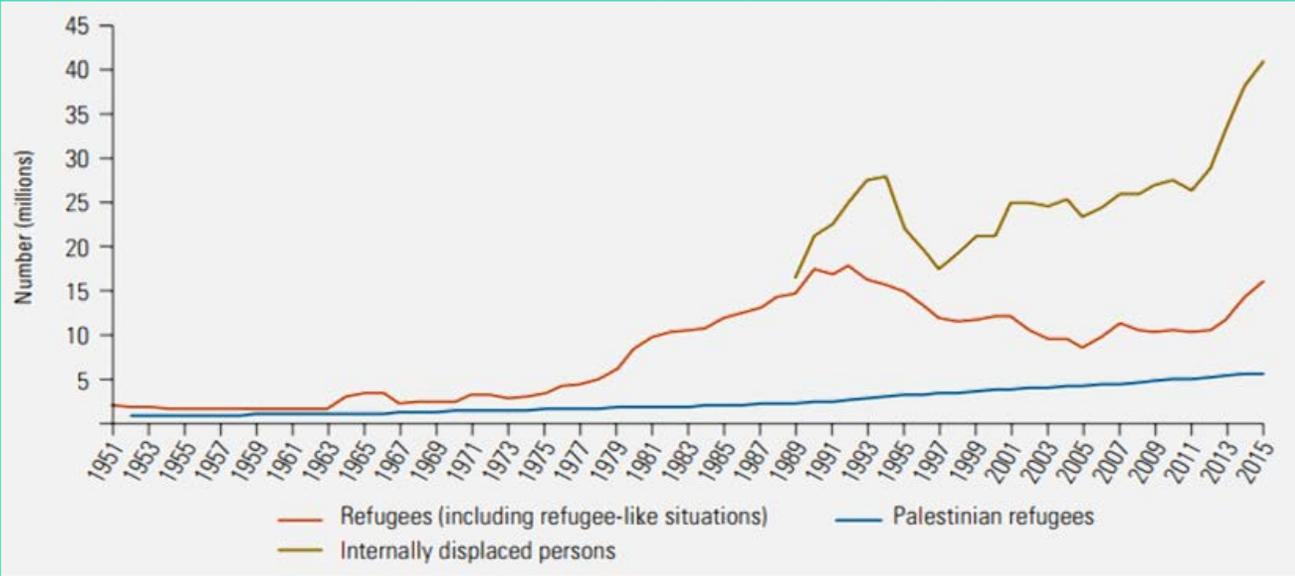


Number of conflicts, by type

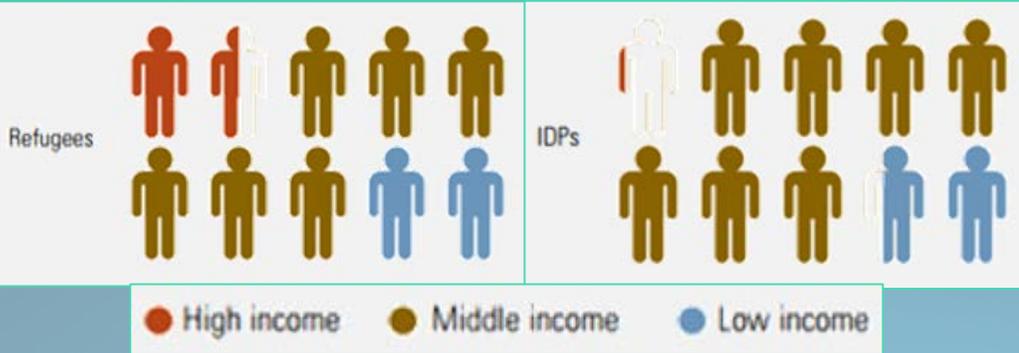


The forcible displacement crisis primarily affects the developing world

The global forcibly displaced population



The crisis primarily affects the developing world

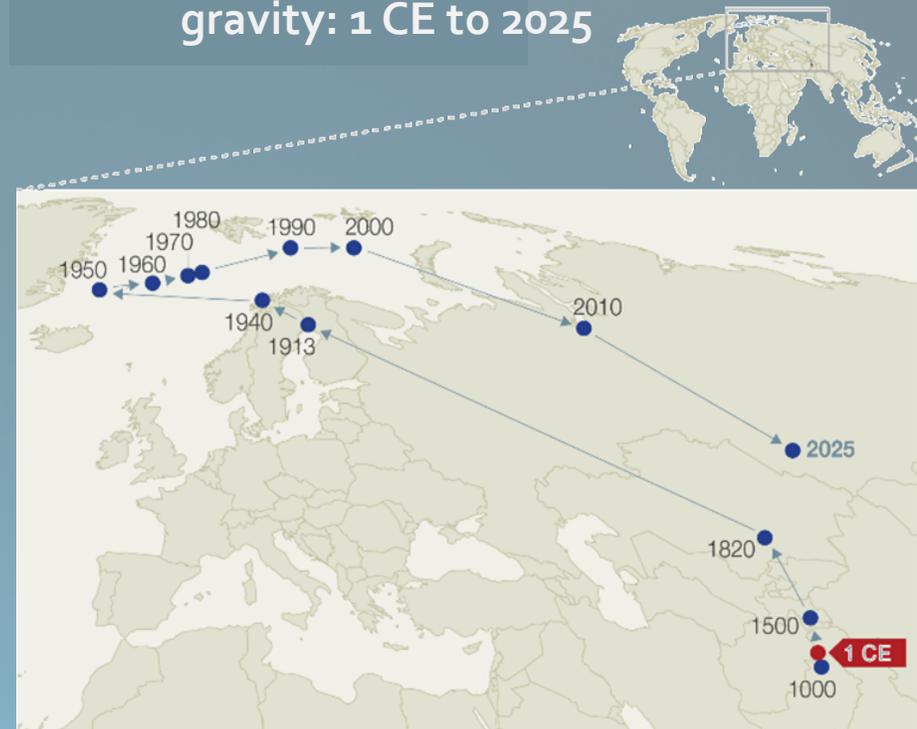


Reflections on the new global economy: multipolarity

The world's economic center of gravity, 1980–2016, in black, at three-year intervals

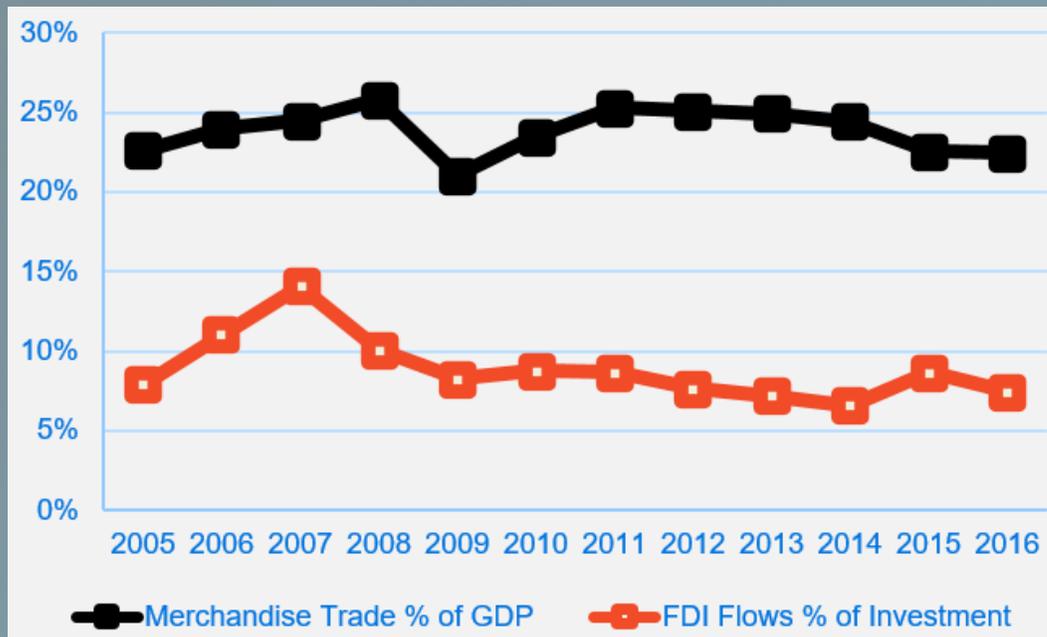


Evolution of the earth's economic center of gravity: 1 CE to 2025



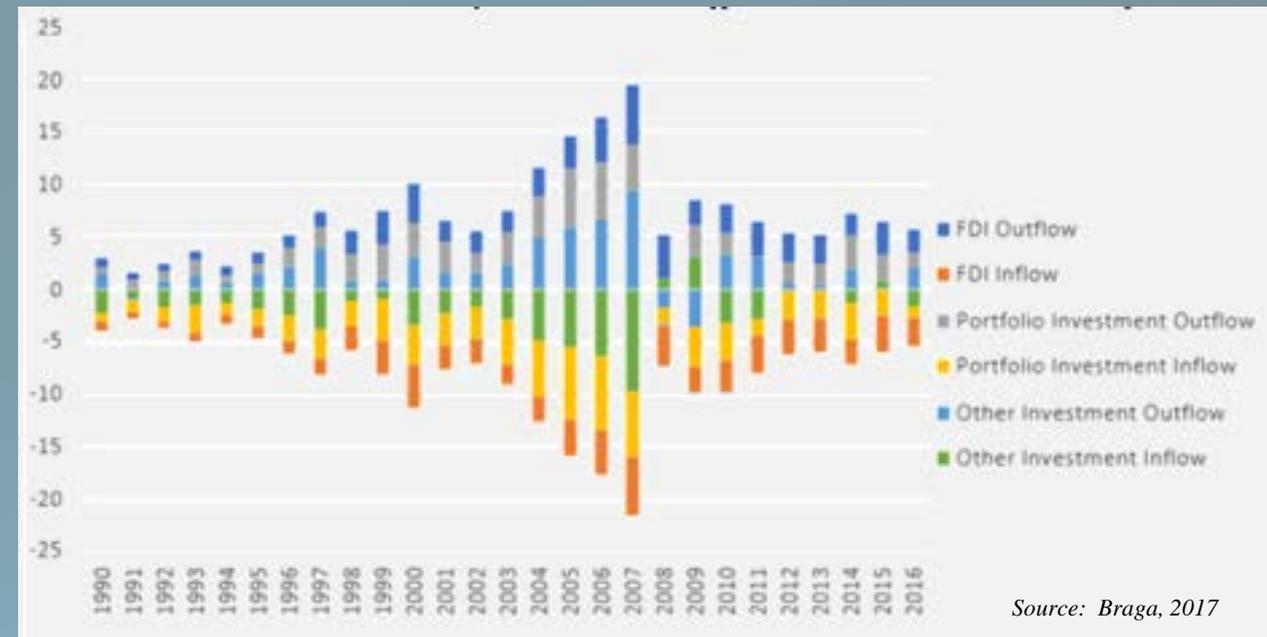
Is globalization retrenching?

Trade and FDI depth through 2016



Source: Ghemawat, 2017

Global Gross Financial Flows, 1990-2016 (percent of world GDP)



Source: Braga, 2017

The global risks landscape in 2018

Top 10 risks in terms of Likelihood

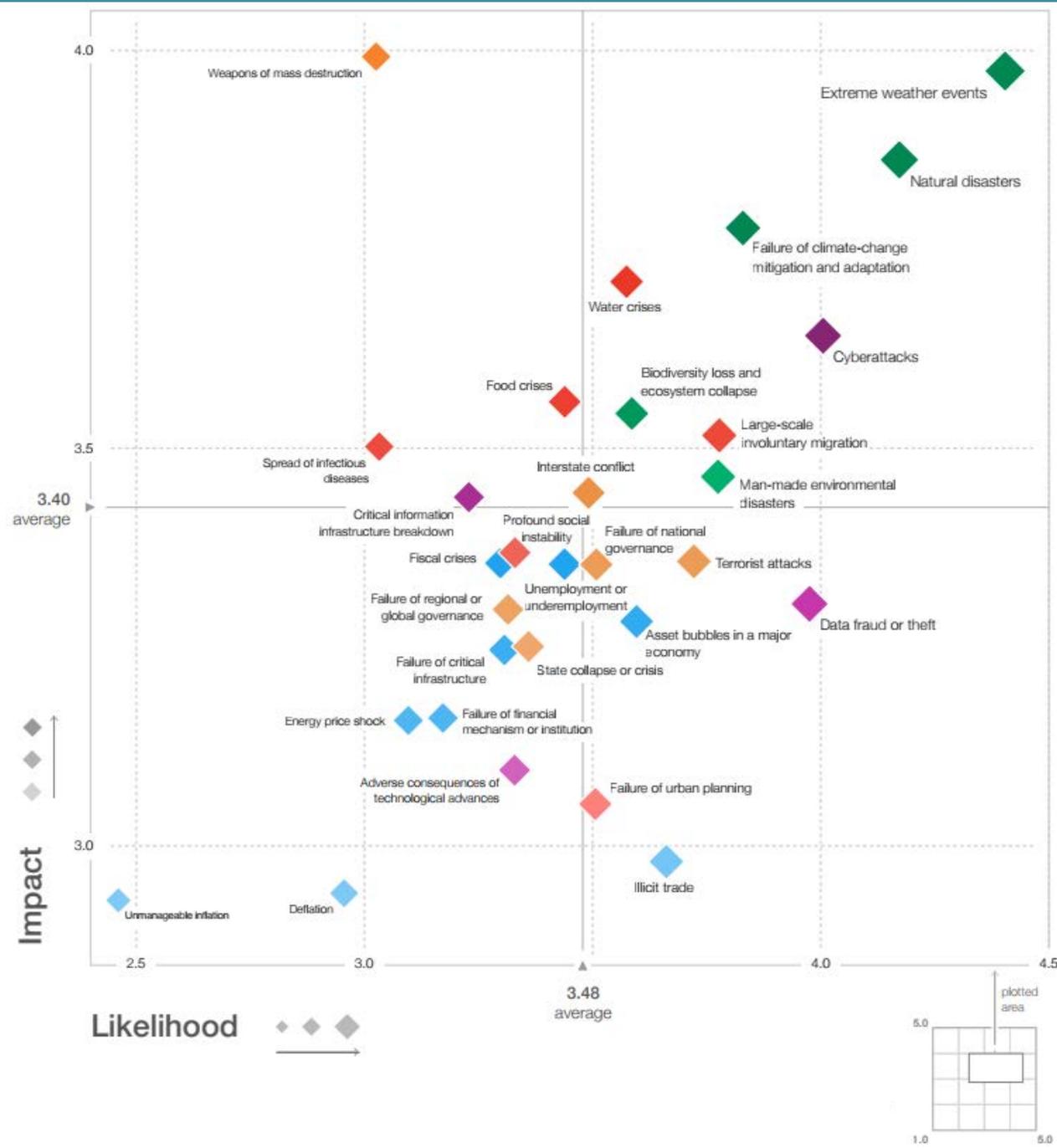
- 1 Extreme weather events
- 2 Natural disasters
- 3 Cyberattacks
- 4 Data fraud or theft
- 5 Failure of climate-change mitigation and adaptation
- 6 Large-scale involuntary migration
- 7 Man-made environmental disasters
- 8 Terrorist attacks
- 9 Illicit trade
- 10 Asset bubbles in a major economy

Top 10 risks in terms of Impact

- 1 Weapons of mass destruction
- 2 Extreme weather events
- 3 Natural disasters
- 4 Failure of climate-change mitigation and adaptation
- 5 Water crises
- 6 Cyberattacks
- 7 Food crises
- 8 Biodiversity loss and ecosystem collapse
- 9 Large-scale involuntary migration
- 10 Spread of infectious diseases

Categories

- ◆ Economic
- ◆ Environmental
- ◆ Geopolitical
- ◆ Societal
- ◆ Technological



Regional context

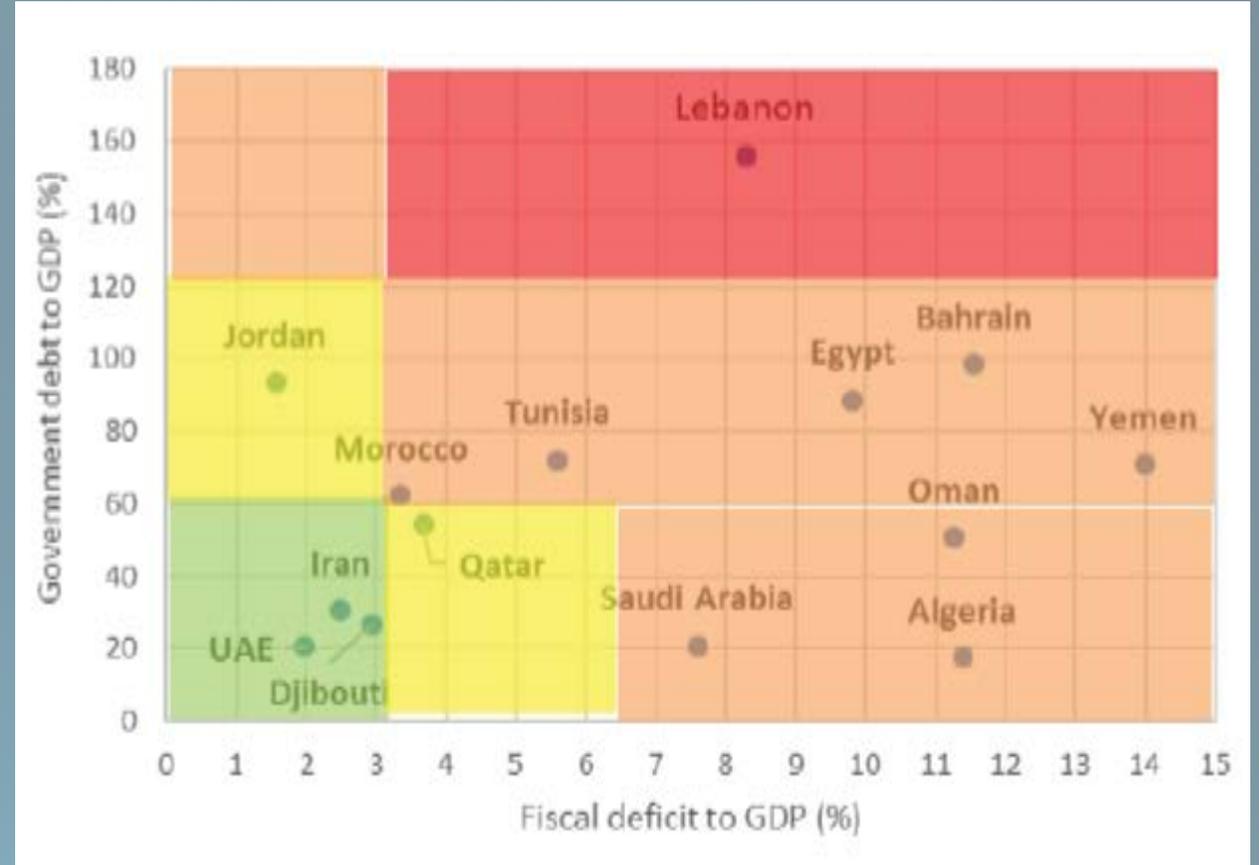
Growth: a mixed story

- Region continued momentum but much more is needed to absorb the large youth population entering the labor market
- Factors supporting growth momentum:
 - World economy continued momentum
 - Oil prices stabilizing at relatively high level
 - stabilization policies have restored macro stability
- Risks: geopolitical tensions and debt spiral
- Medium run:
 - Fall in oil prices, Arab revolts and continued uncertainty constitute persistent shocks
 - First phase of adjustment consisted in stabilization policies
 - Second phase needs to be much more structural and transformative



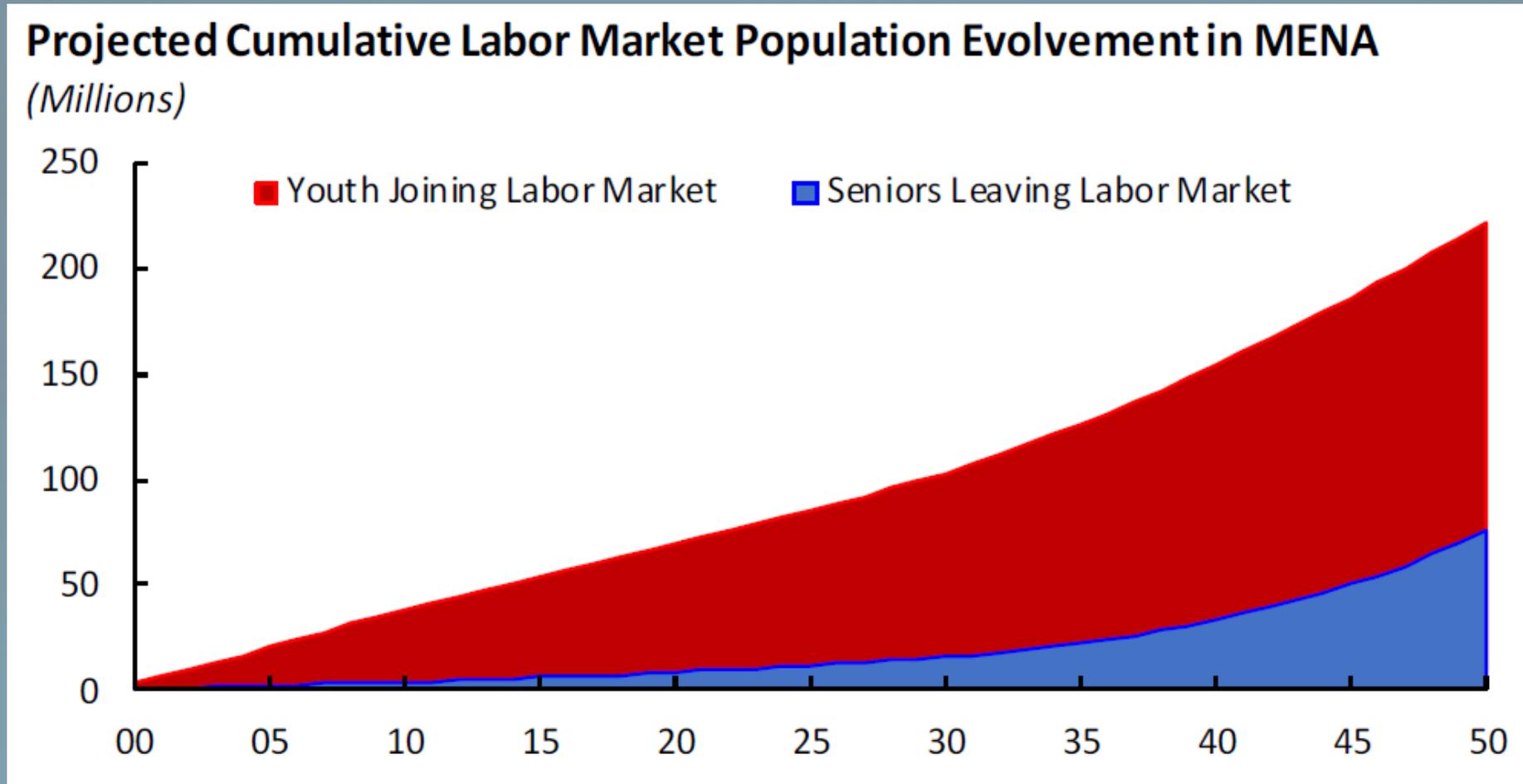
Growth: a mixed story

- The most pressing economic challenges facing the region may be the continuing rise in unemployment rates for the youth and public debt levels to finance government deficits.
- Vulnerabilities to external shocks, including oil price volatility, are the genesis of that public borrowing, which has reached historically high levels in many countries in MENA.
- Borrowing rather than adjusting spending has long been the dominant response in almost all countries in the region. But when debt rises sharply, its sustainability becomes a serious issue.
- Indebted governments must pay a large amount of interest, which ultimately increases the budget deficit forcing them to issue more debt.



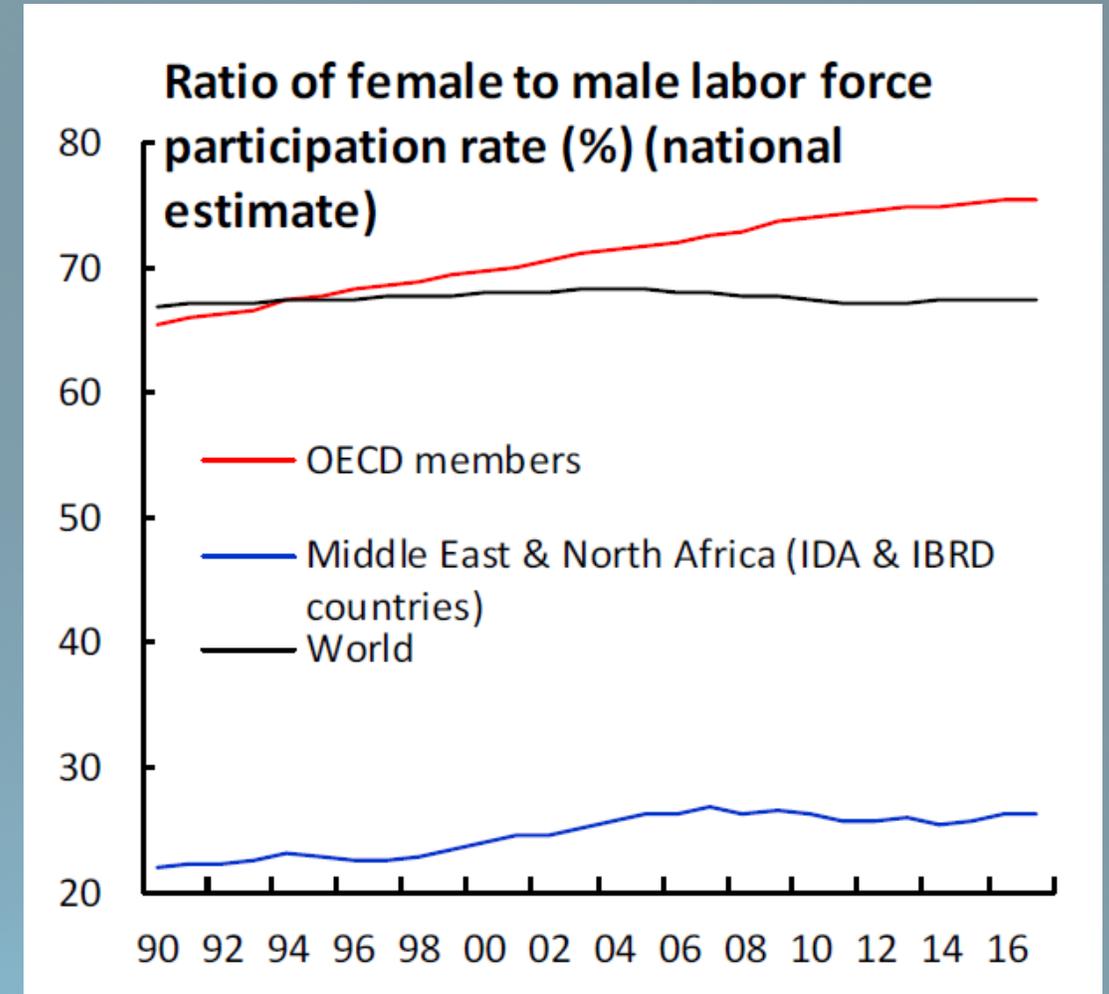
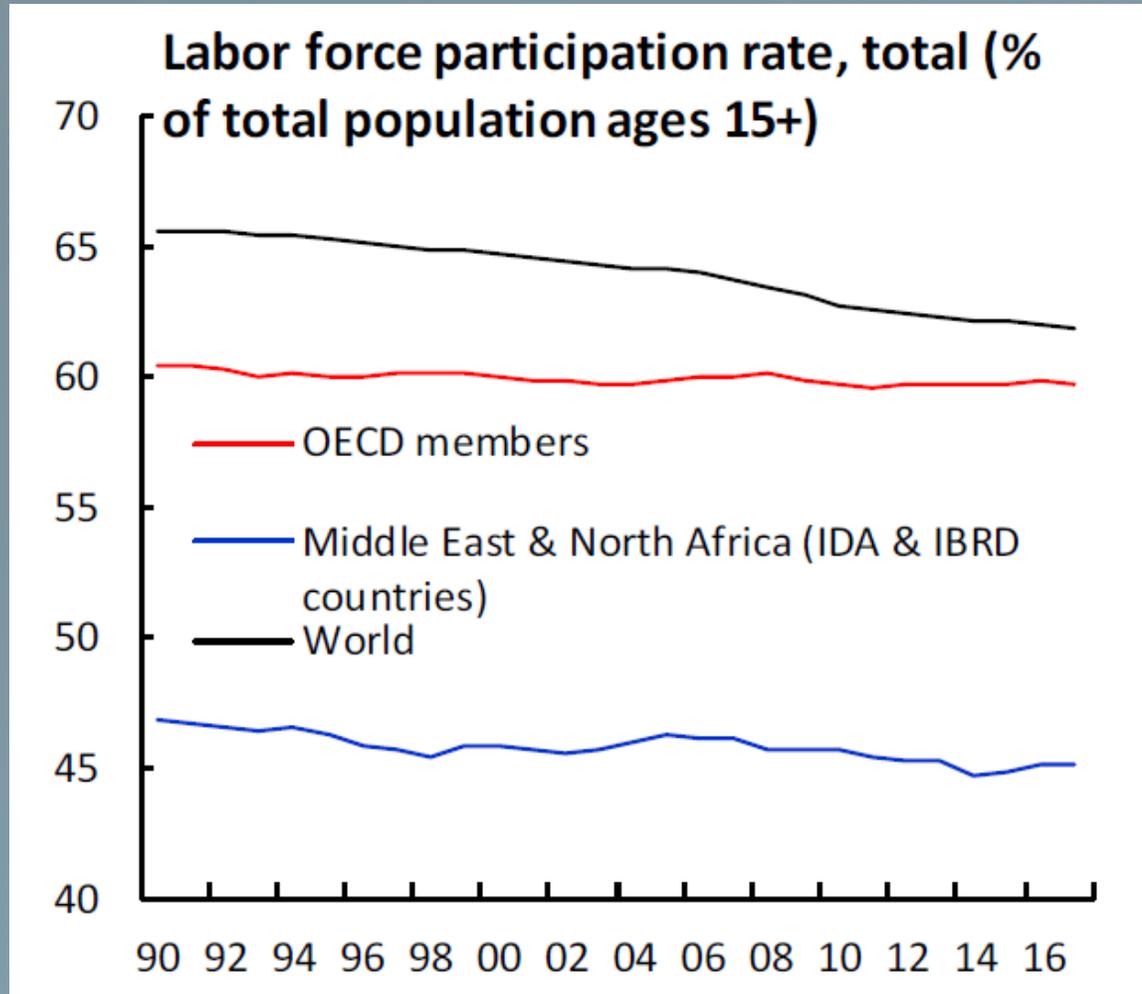
Demographics:

More (educated and female) youth entering the labor market



Demographics:

But there is abnormally low labor force participation



The SDGs present a major opportunity for transformation



	MDGs (2000-2015)	SDGs (2016-2030)
Goals/Targets/Indicators	8/21/60	17/169/~230
Priority Areas	Human Development	Holistic: Economic, Social, Environmental
Scope	Developing Countries	Universal

Global development agendas serve as a guide for countries to determine their national development path

Countries' most frequently identified priorities* require an integrated approach

Sequencing implementation of goals within context of national priorities

Working in partnership to determine national development strategy

Coordinating within governments; across and within ministries

Securing enough financial resources and efficiently allocating them

Data availability and institutional capacity

Localizing and implementing the goals at the local level

Incorporating and mainstreaming gender

Integrating action on climate change

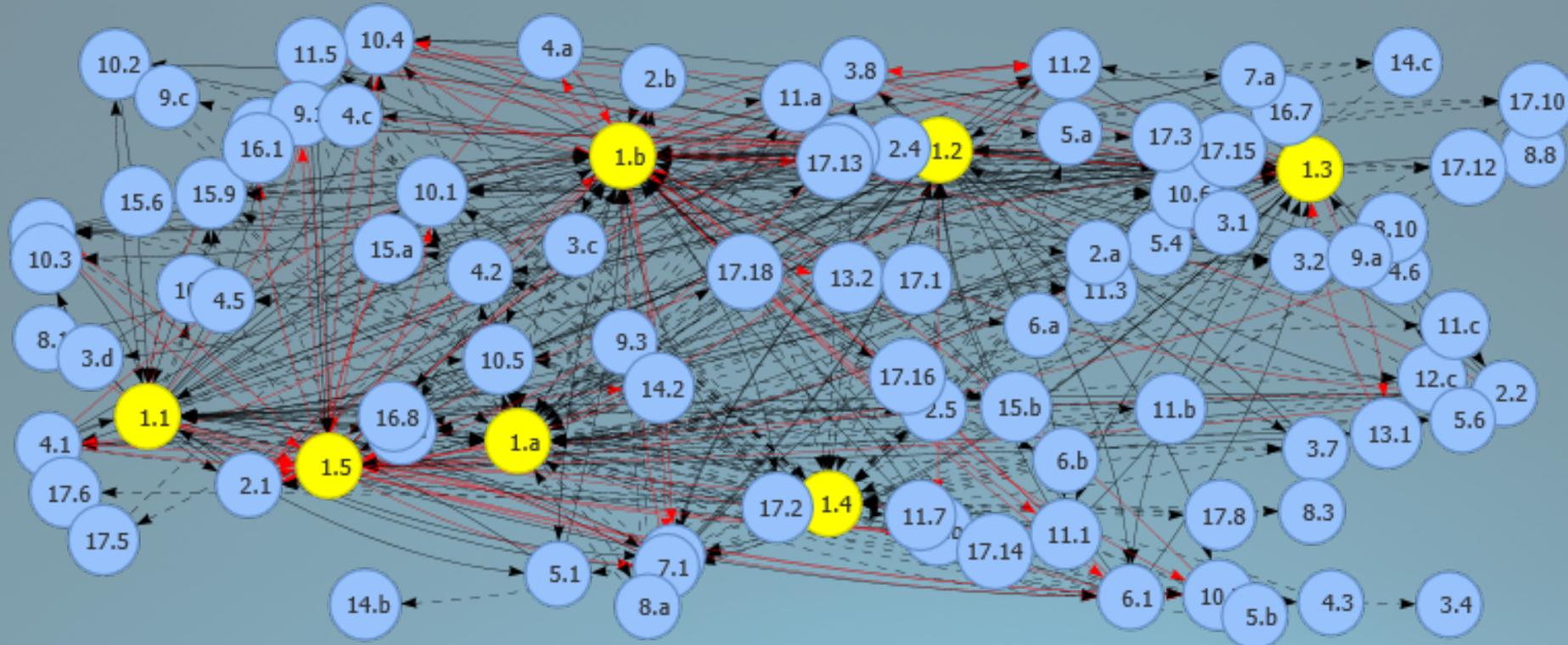
* Based on analysis of statements made during the UN High Level Political Forum, July 2017; in no particular order

The World Bank Group supports country implementation of the SDGs



The SDGs are interlinked and data is critical to understand those relationships

Japan's goals interlinked to SDG 1



“Data is the new oil”



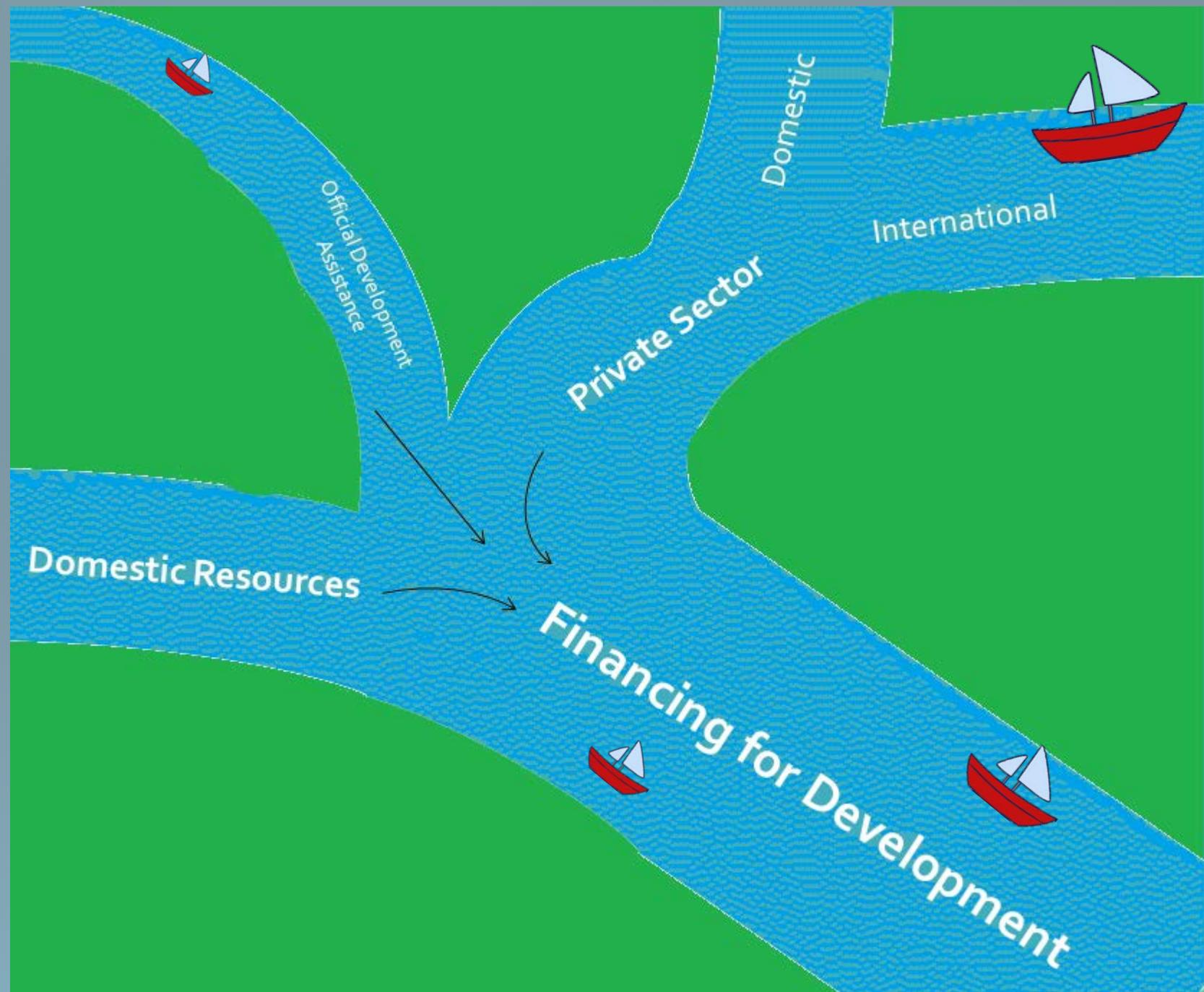
Until there is a sustainable business model for data, it will not be used efficiently



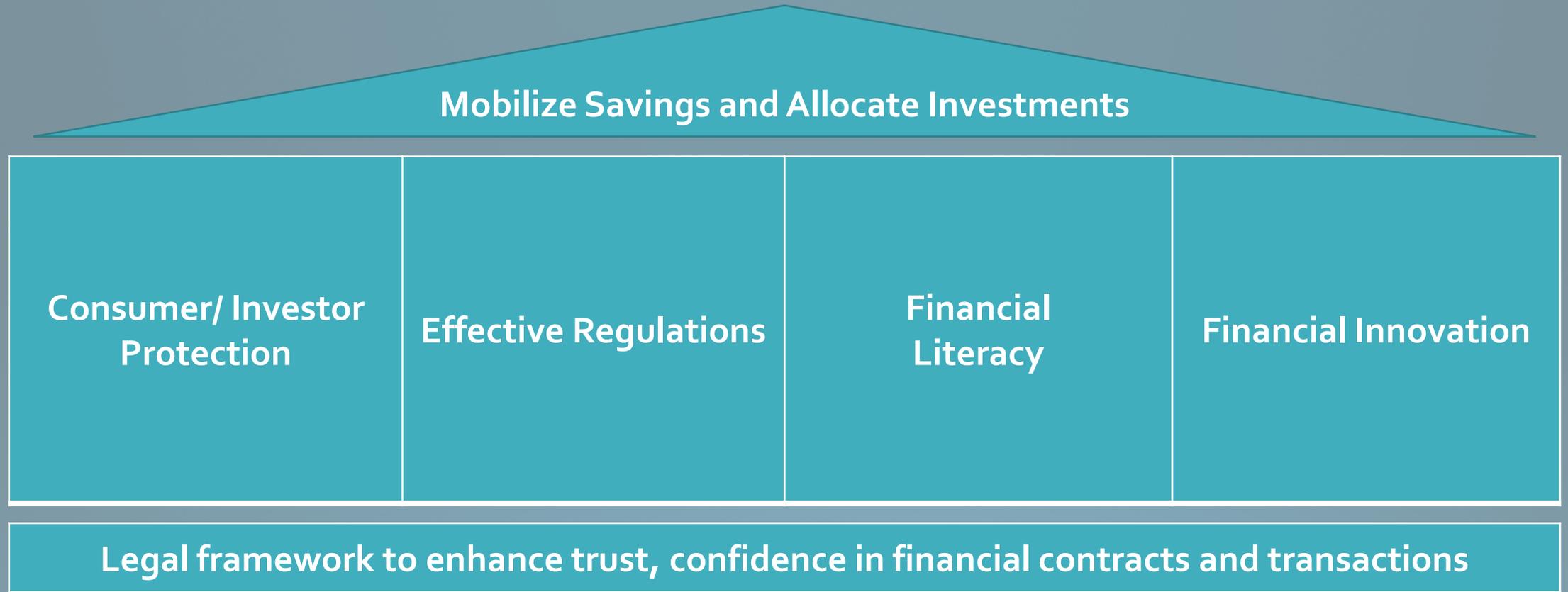
The shape of successful national data systems in the future

Institutions Based on	Organizations that Have	Data that Are	Users Who Are	Data Uses
<ul style="list-style-type: none"> • Open data laws • Rights to privacy • Accountability to users • Broad outreach to society • Harmonized data conventions 	<ul style="list-style-type: none"> • Budgetary autonomy • Trained staff • Adequate installations • Connected databases • Early warning systems • International partnerships 	<ul style="list-style-type: none"> • Up to date • Disaggregated • Easy to manipulate and visualize • Accessible in remote areas • Georeferenced • Contestable • From integrated data sets 	<ul style="list-style-type: none"> • Connected • Data literate • Diverse (e.g., academics, CSOs, media, local and central governments) 	<ul style="list-style-type: none"> • Planning • Policy making • Monitoring • Targeting • Research • Advocacy • Lobbying • Citizen empowerment

The key components of financing sustainable development



Components of a sound financial sector



How can the private sector get involved?

How much is out there?

More than
\$10 trillion
invested in
negative
interest rate
bonds

\$24.4 trillion
in low-yield
government
securities

\$8 trillion
sitting in cash

Financing sustainable development

When a project is presented, apply the “Cascade”. You should ask: *“Is there a sustainable private sector solution that limits public debt and contingent liabilities?”* If the answer is...

YES

Promote such private sector solutions

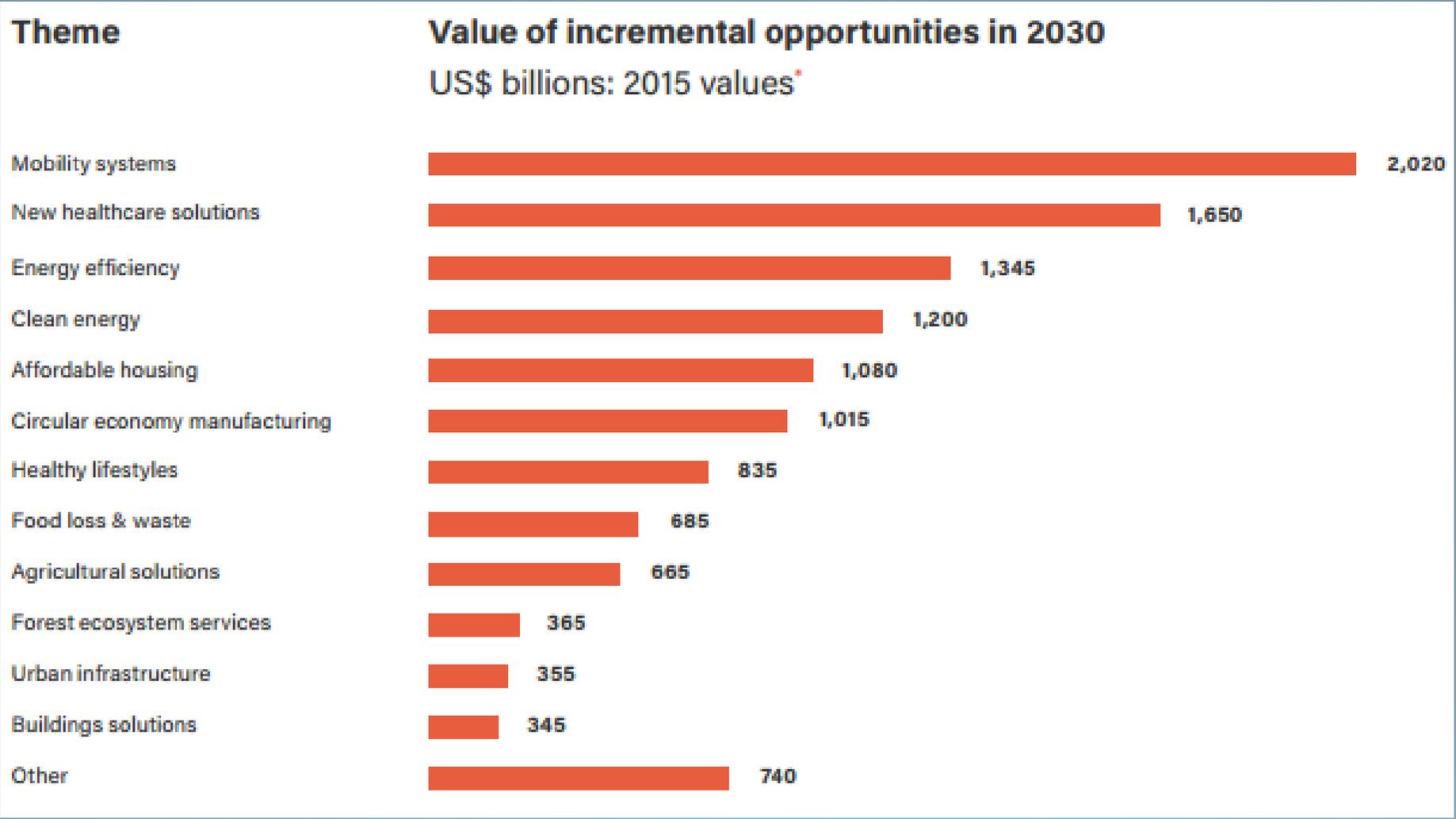
- The World Bank could play an important role in supporting the government to advance appropriate private sector solutions. i.e. through analytical support, technical assistance for relevant reforms and capacity building, project identification and preparation support, project structuring, and support to the government in negotiations with the private sector

NO

Ask whether its because of:

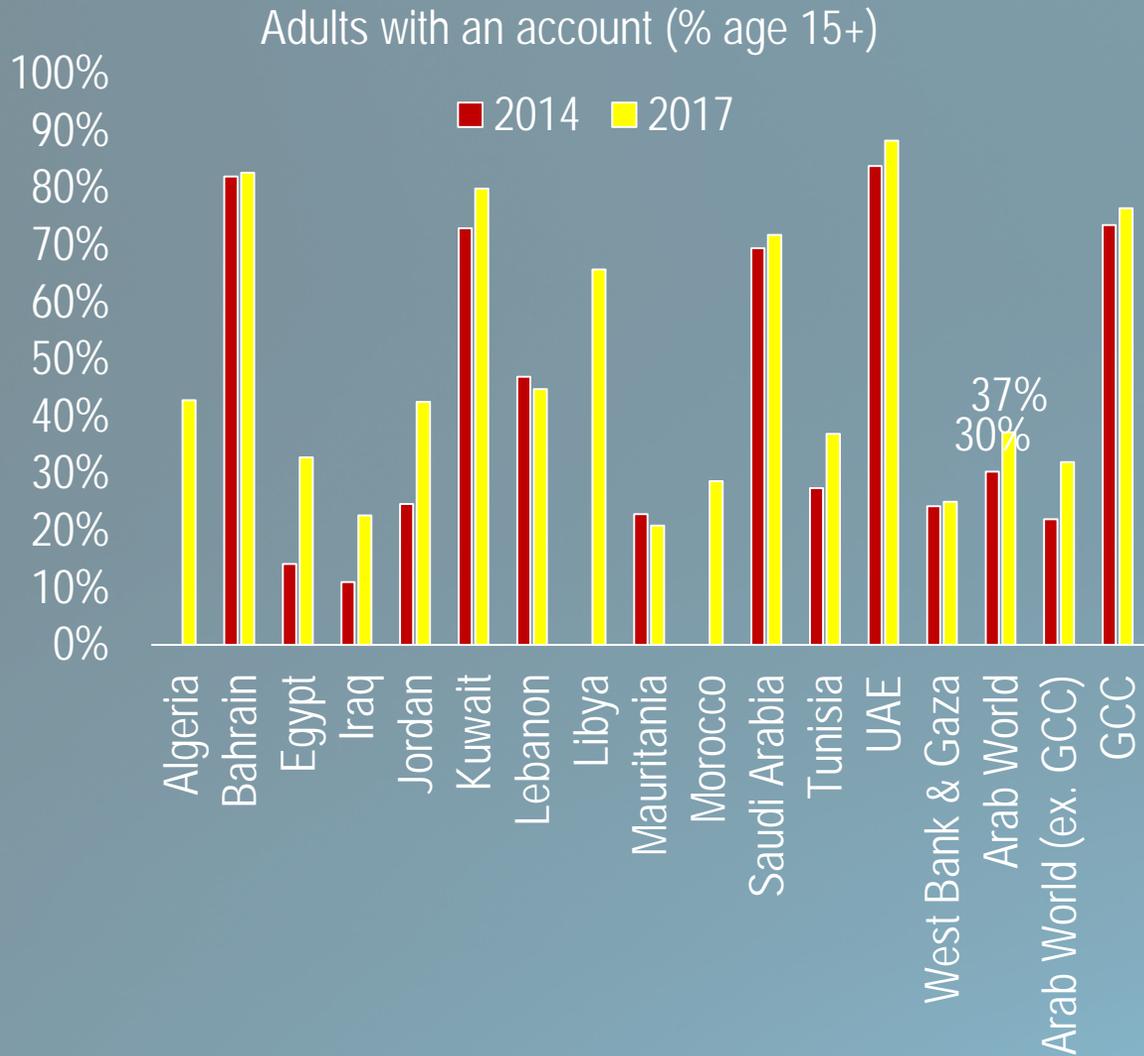
- Policy or regulatory gaps or weaknesses? If so, provide WBG support for policy and regulatory reforms.
- Risks? If so, assess the risks and see whether WBG instruments can address them.

Several business themes provide major opportunities in a world economy heading for the SDGs

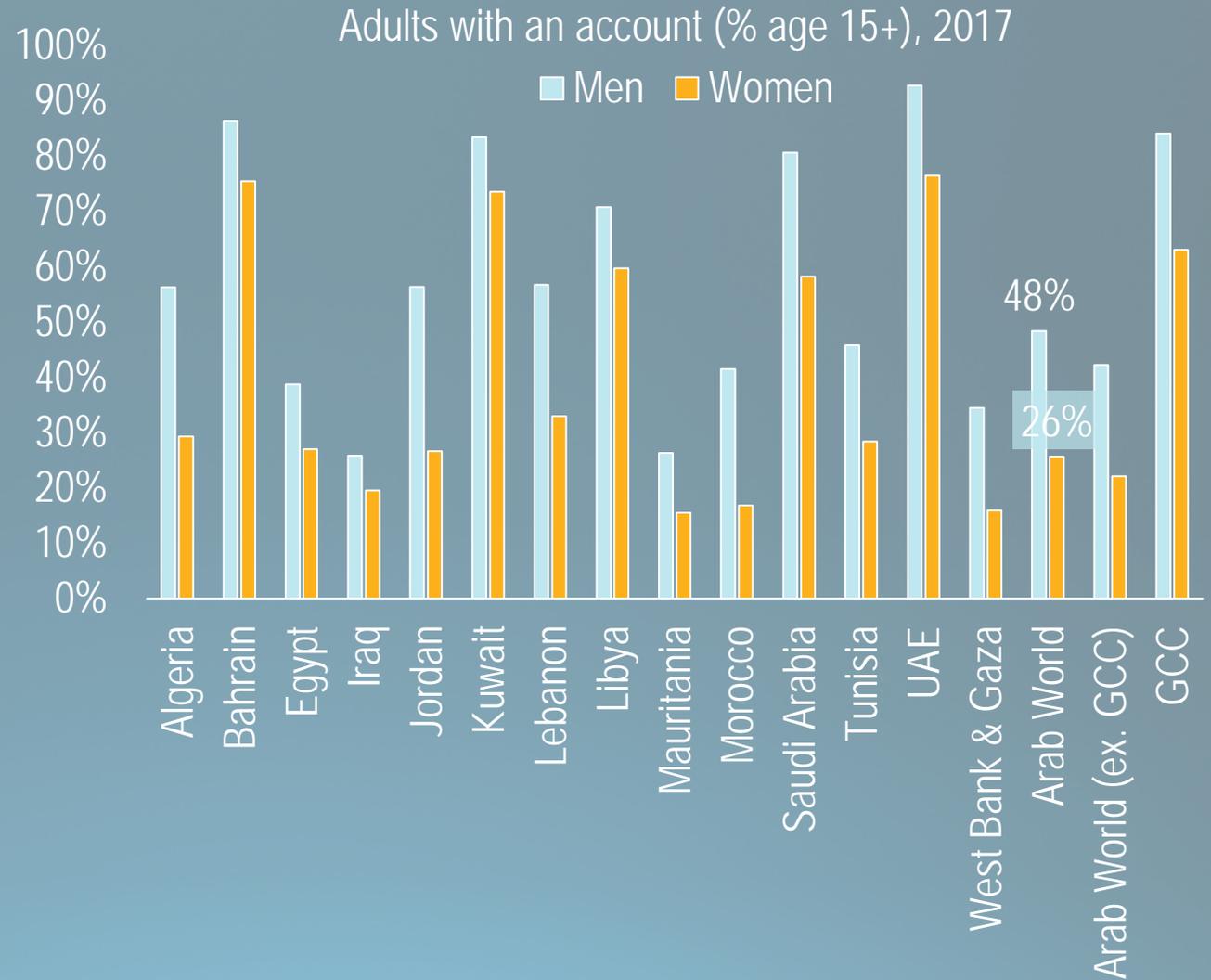


Financial Inclusion

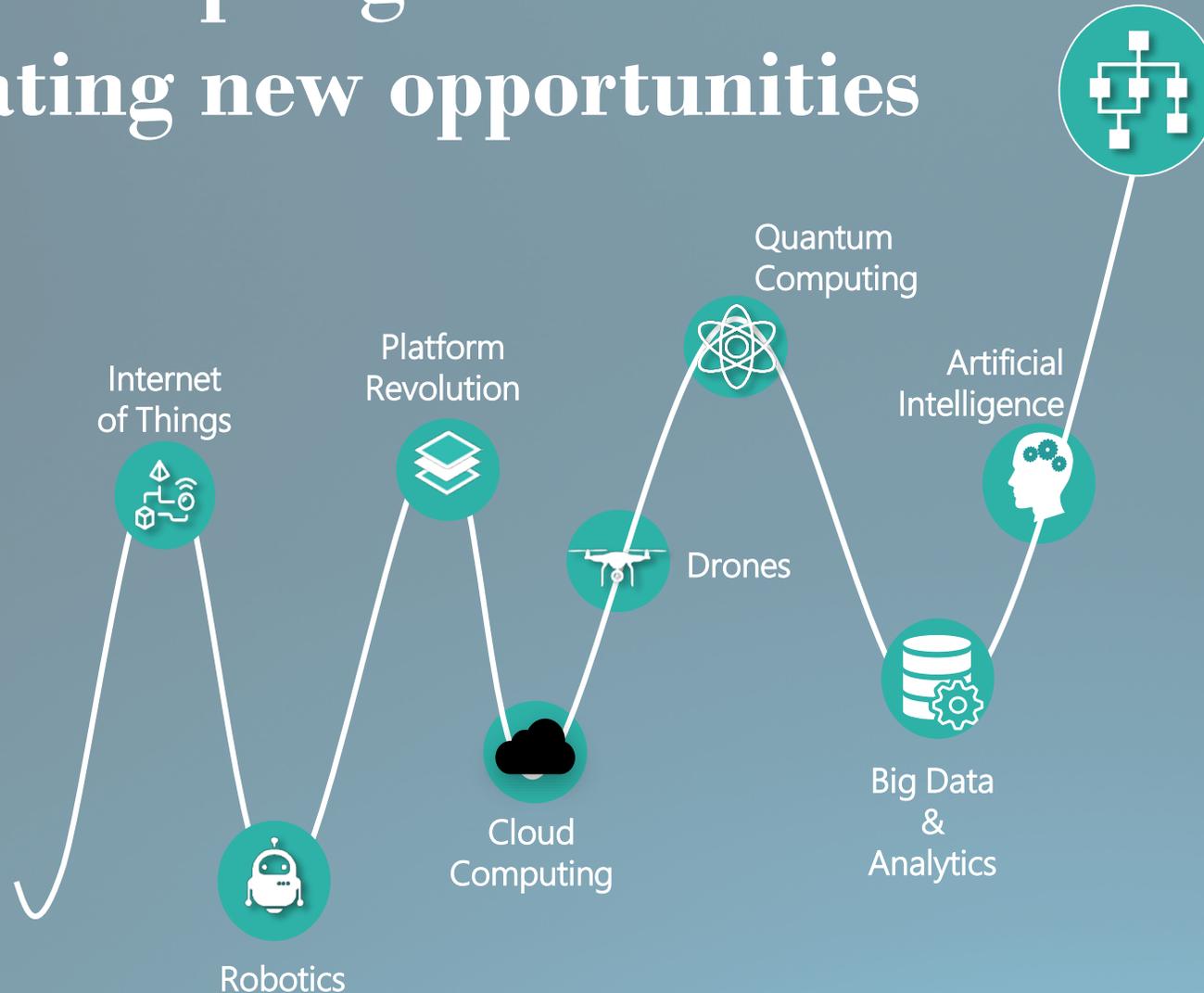
Account ownership varies in the Arab world



Arab world has large gender gaps in account ownership

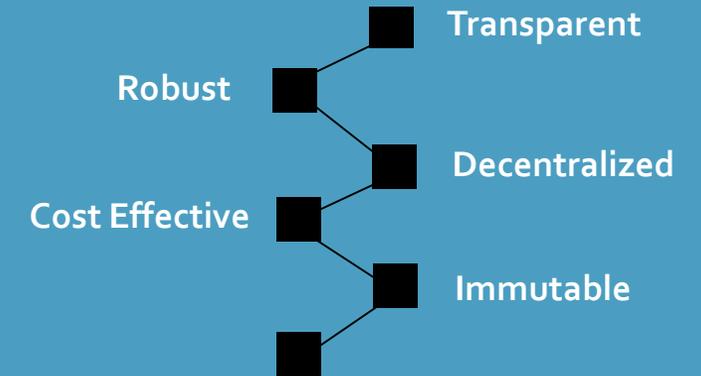


Exponential changes in IT are disrupting industries & creating new opportunities



Blockchain & Distributed Ledger Technologies

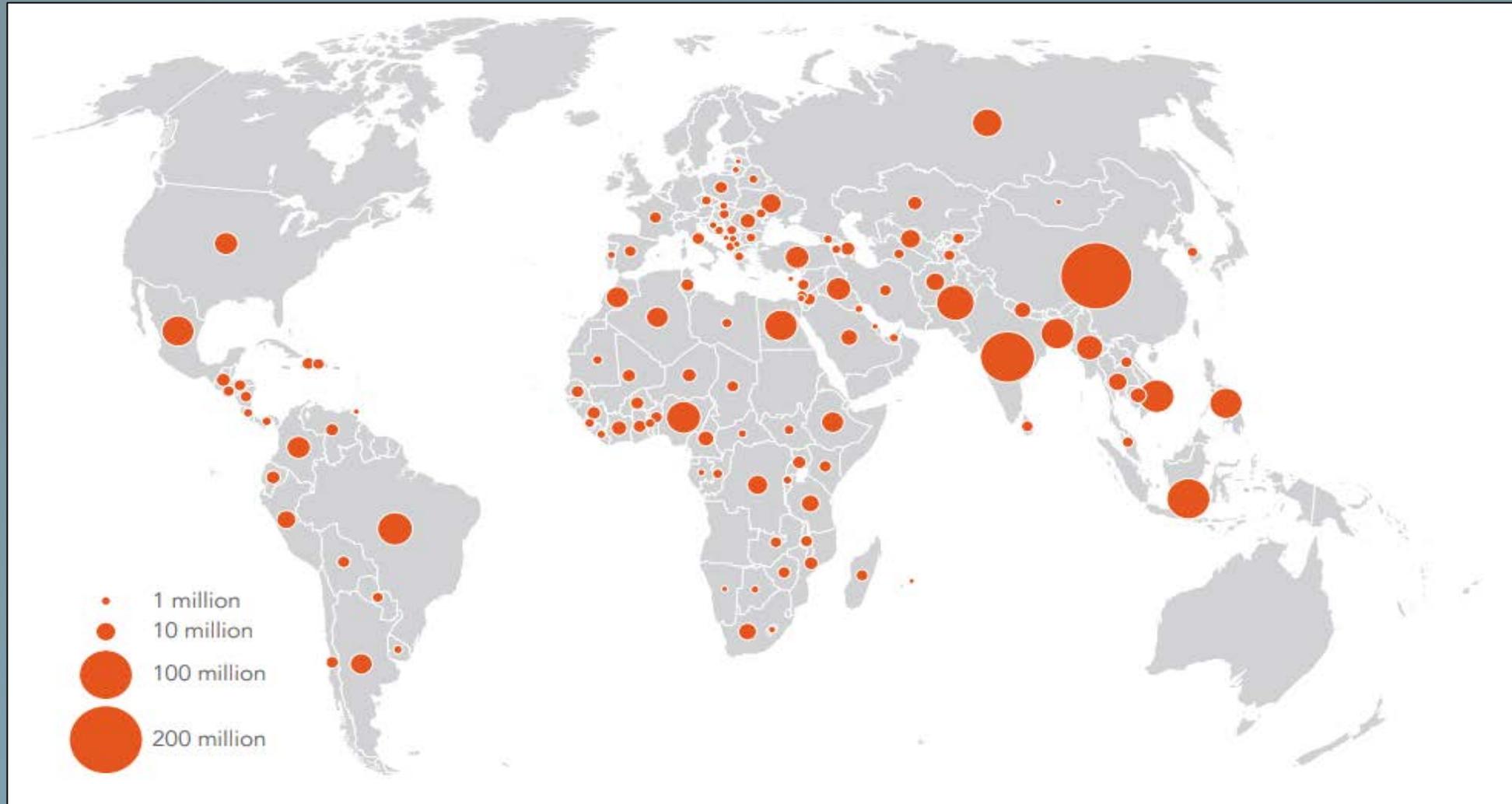
Why Blockchain ?



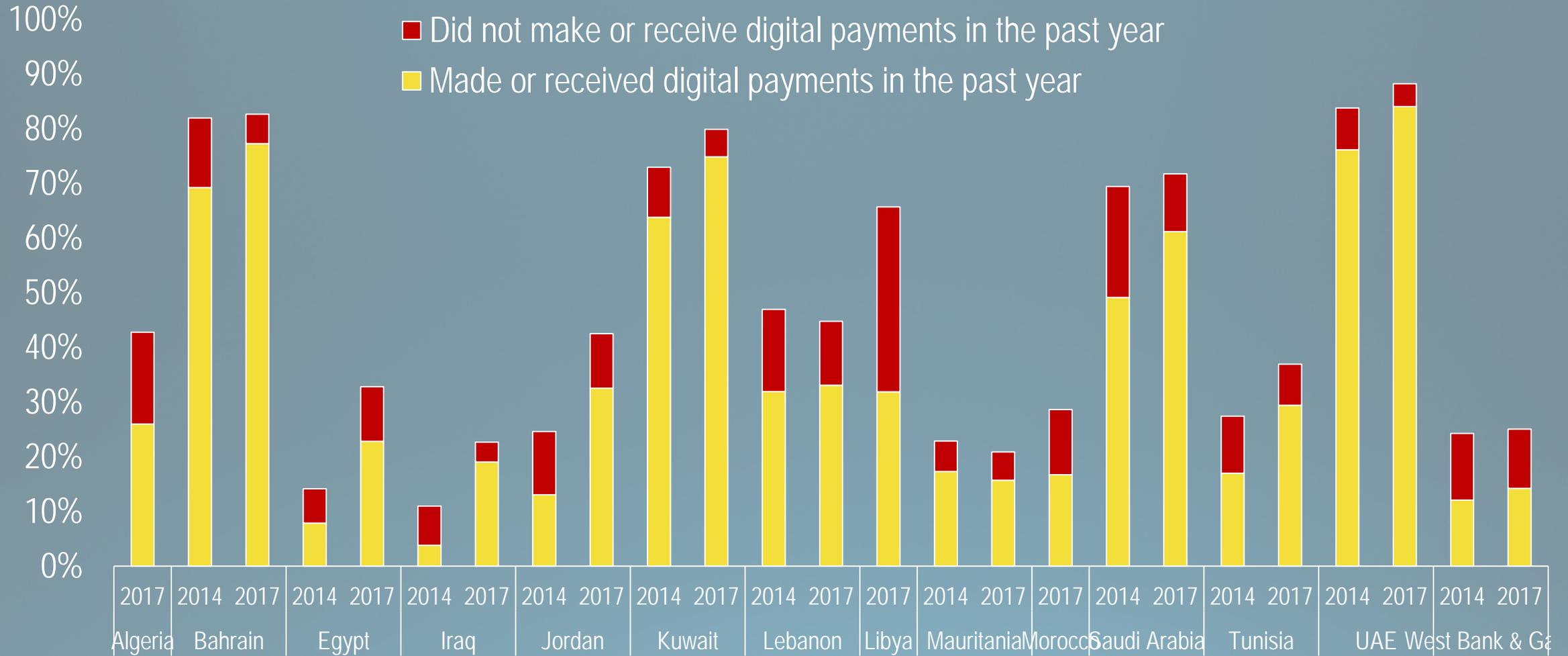
Applications :

- Finance (e.g. remittances; P2P Payments)
- Record Keeping
- Identity Management
- Smart Contracts
- Sharing Economy (P2P market)
- Crowdfunding
- Governance
- Supply Chain Auditing
- Protection of Intellectual Property
- Land Titling Registration

Two-thirds of unbanked adults globally own a mobile phone



Fintech will be critical



Domestic savings can help reduce poverty and drive economic growth

Key drivers



Influence savings behavior:
introduce savings accounts for
all students



Improve real income through:

- increasing total factor productivity,
- increasing labor efficiency, and
- maintaining price stability



Reform public social security



Enhance commercial insurance
systems



Mobilize digital/biometric ID
systems



Realize the potential of fintech

The Human Capital Project

"How much human capital will a child born today acquire by the end of secondary school, given the risks to health, education and social protection that prevail in the country where she was born?"

Three main indicators, reflecting building blocks of the human capital:

1. **Survival** – Will kids born today survive to school age?
2. **School** – How much school will they complete and how much will they learn?
3. **Health** – Will kids leave school in good health and be ready for further learning and/or work?

The practice of sustainable development

Assessing social risk and its mitigation should be conducted at the local level



78 countries have a population of under 5 million

181 provinces have a population of over 5 million

86 provinces have a population of over 10 million

*Analysis conducted on developing countries

Sample Municipal Budget

Expenses

1. Preschool education
2. Primary and secondary school
3. Health care
4. Social assistance and poverty alleviation
5. Public order and civil protection
6. Infrastructure and public services
7. Environment protection
8. Social, cultural, recreational expenditures
9. Local economic development
10. Social housing
11. Urban development
12. Civil security
13. Transfer to sub-local government entities
14. (subsidies, grants, equity, in-kind)
15. Loan repayment
16. Interest charges
17. Guarantees called (paid by the municipality)

Revenues

1. Property tax (rates) on land and/or buildings
2. Tax on the transfer of immovable property
3. Tax on motor vehicles
4. Local sales tax and/or tax on the sale of local products (or surcharge)
5. Tax on local businesses and services
6. Tax on electricity consumption (surcharge)
7. Tax on nonmotorized vehicles
8. Tax on tourism, hotels, restaurants, and entertainment
9. Tolls on roads, bridges, etc., within the limits of the local government
10. Charges for public works & public utilities such as waste mgmt, drainage, sewage, & water supply
11. Charges for markets and rents for market stalls
12. Charges for the use of bus stations and taxi parks
13. Fees for approval of building plans and erection and re-erection of buildings
14. Fees for fairs, agricultural shows, cattle fairs, industrial exhibitions, tournaments, and other public events
15. Fees for licensing of businesses, professions, and vocations
16. Fees for other licenses or permits and penalties or fines for violations
17. Fees for advertisement
18. Fees on sales of animals in cattle markets
19. Fees for registration and certification of births, marriages, and deaths
20. Fees for education & health facilities established or maintained by the local govt
21. Fees for other specific services rendered by the local government
22. Rent from land, buildings, equipment, machinery, and vehicles
23. Surpluses from local commercial enterprises
24. Interest on bank deposits or other funds



Localization of Urban Development

U.K. Midlands

Successful locally owned businesses help develop local markets, create innovation, success and redistribution in a self-reinforcing cycle

Indonesia:

A program is being implemented to enhance the capacity of local governments to improve efficiency and effectiveness of local public spending.
Also implemented the PNPM program: community driven development

Colombia:



Kenya:

A government funded drought insurance program brings satellite based insurance to Kenyan pastoralists and farmers using mPesa.

The World Bank Group



1944
International Bank for
Reconstruction and
Development (IBRD)



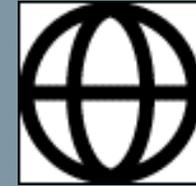
1960
International
Development
Association (IDA)



1956
International
Finance
Corporation (IFC)



1988
Multilateral Investment
Guarantee Agency
(MIGA)



1966
International Center for the
Settlement of Investment
Disputes
(ICSID)

IBRD lends to governments of middle-income and creditworthy low-income countries

IDA provides interest-free loans, or credits, and grants to governments of the poorest countries

IFC provides loans, equity, and advisory services to stimulate private sector investments in developing countries

MIGA provides political risk insurance and credit enhancement to investors and lenders to facilitate FDI in emerging economies

ICSID provides international facilities for conciliation and arbitration of investment disputes

Thank You

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