

AFRICAN DEVELOPMENT BANK AT WORLD ECONOMIC FORUM FOR AFRICA

Middle East and North Africa Update: Implications for Africa

On 5 May 2011 at the World Economic Forum on Africa, there will be a session on the Middle East and North Africa (MENA) entitled “MENA Update: Implications for Africa”, in which the African Development Bank (AfDB) take part.

1. General Background on major factors: unemployment, vulnerability, inflation, governance, economic growth

The unemployment situation is worse in the MENA region than in other developing regions. It is felt particularly hard by young, educated people, and the situation is all the more serious because the region has a higher proportion of well-educated young people than other parts of the world.

Also, poverty and inequality are major problems with high numbers of people living in rural and effectively disenfranchised regions.

Other severe challenges across the region include high inflation rates, particularly for essentials such as food and energy, and scarce water access.

In many parts of the regions, good governance especially in terms of accountability and the voice of the people being heard is seriously trailing behind.

While both Tunisia and Egypt have achieved good growth rates of over 5% in the past five years, this growth has not been inclusive. Only a small proportion of the people have benefitted. As a result, income distribution has been imbalanced and people have been protesting for social justice.

2. The AfDB's response to the challenges ahead

In Tunisia and Egypt, there are short-term challenges relating to keeping fiscal imbalances in check while navigating continuing demands for political change and social justice

In the AfDB's view, fundamental and persisting challenges are particularly critical in the various areas. One is inclusion, where high unemployment levels, particularly among young people, need addressing, and also poverty, vulnerability and disenfranchisement; and a serious deficit in governance.

Another is ensuring decisive economic transformation and integration (to move economies up the value-added ladder). There are also the issues of food security and extreme pressure on sustainable water resources.

The AfDB's position is primarily to ensure maintenance of the ongoing portfolio and pipeline projects in advanced preparation, as well as being alert in anticipation of requests from governments for early and enhanced support.

In Tunisia, the AfDB has indicated its willingness to consider sizeable financing of up to US\$ 1 billion to support the country. The Bank, in coopération with the World Bank (WB), the European Union and the AFD (France) is preparing an early budget support operation.

This support operation will focus on (i) service delivery in under-served regions, (ii) employment preservation and creation, and (iii) voice and accountability.

In parallel, the AfDB is fast-tracking and “revolution-proofing” infrastructure projects for the under- served regions such as the Highway Gabès - Ras Jedi and the drinking water project in rural areas, plus creating a joint line of credit for the SMEs with the WB and providing technical assistance and capacity development support.

In Egypt, the AfDB has announced its commitments toward supporting the Egyptian people. Currently, the Bank is working with the authorities and other development partners to assess the economic situation and to develop a policy based (PBL) budget support operation focusing on “job creation and employment opportunities”.

Implications for the rest of Africa: The above mentioned economic problems in Egypt and Tunisia are also present in other countries in Africa. Therefore, the recent events in Egypt and Tunisia may have been the catalysts for demonstrations across the rest of Africa.

In North Africa, the recent events in Tunisia and Egypt affected the region severely, in terms of reduced economic growth and decreased investor confidence in the region.

However, these events have served as a wake-up call for the current governments in the region.

In Algeria, the authorities lifted the state of emergency that had been in force for more than 20 years. Moreover, the president announced a package of reforms related to the constitution, electoral law and the law on political parties and associations.

Also, on the economic front, the government has announced a program of almost €310 million. Some €30 million of this is earmarked the direct subsidy for staples such as sugar and oil/ The remaining €270 million will be used for tax incentives and exemptions

In Morocco, the social package saw an increase in social subsidies of almost €1.8 billion plus a government commitment to create 18,800 jobs in the public sector. Morocco is expected to bounce back from 3.3% growth in 2010 to about 4.6% in 2011.

In Mauritania: political stability has already been considered fragile since 2005 with two reversals of power through *coups*. The difficult labour market situation, particularly with regard young graduates, is compounded by poverty. Mauritania has validated a solidarity program of €71 million, focusing on price controls for basic commodities and subsidies for agricultural products.

In Sub-Saharan Africa, 2011 is an important year for Africa. Elections are scheduled in more than 20 countries across the continent, including Zimbabwe and Nigeria. But food prices continue to rise and economic hardship tightens its grip on the region.

In Gabon, its oil export capacity is severely under-developed oil exporter, and even though its GDP per capita is more than twice that of Egypt, it suffers from higher inequality.

In Sudan, students held Egypt-inspired demonstrations against proposed cuts to subsidies on petroleum products and sugar

In Ethiopia, the media have reported that police have detained the well-known journalist Eskinder Nega for "attempts to incite" Egypt-style protests.

In Cameroon, the Social Democratic Front Party has said that the country might experience an uprising

In the past three years, there have been violent service delivery protests in South Africa and food riots in Cameroon, Madagascar, Mozambique and Senegal.

Namibia, South Africa, and Sudan share similar problems over youth unemployment.