

**G8 UK**

UNITED KINGDOM 2013

**Deauville Partnership Investment Conference  
with Arab Countries in Transition**

**Arab Countries in Transition:  
Economic Environment**

# Masood Ahmed

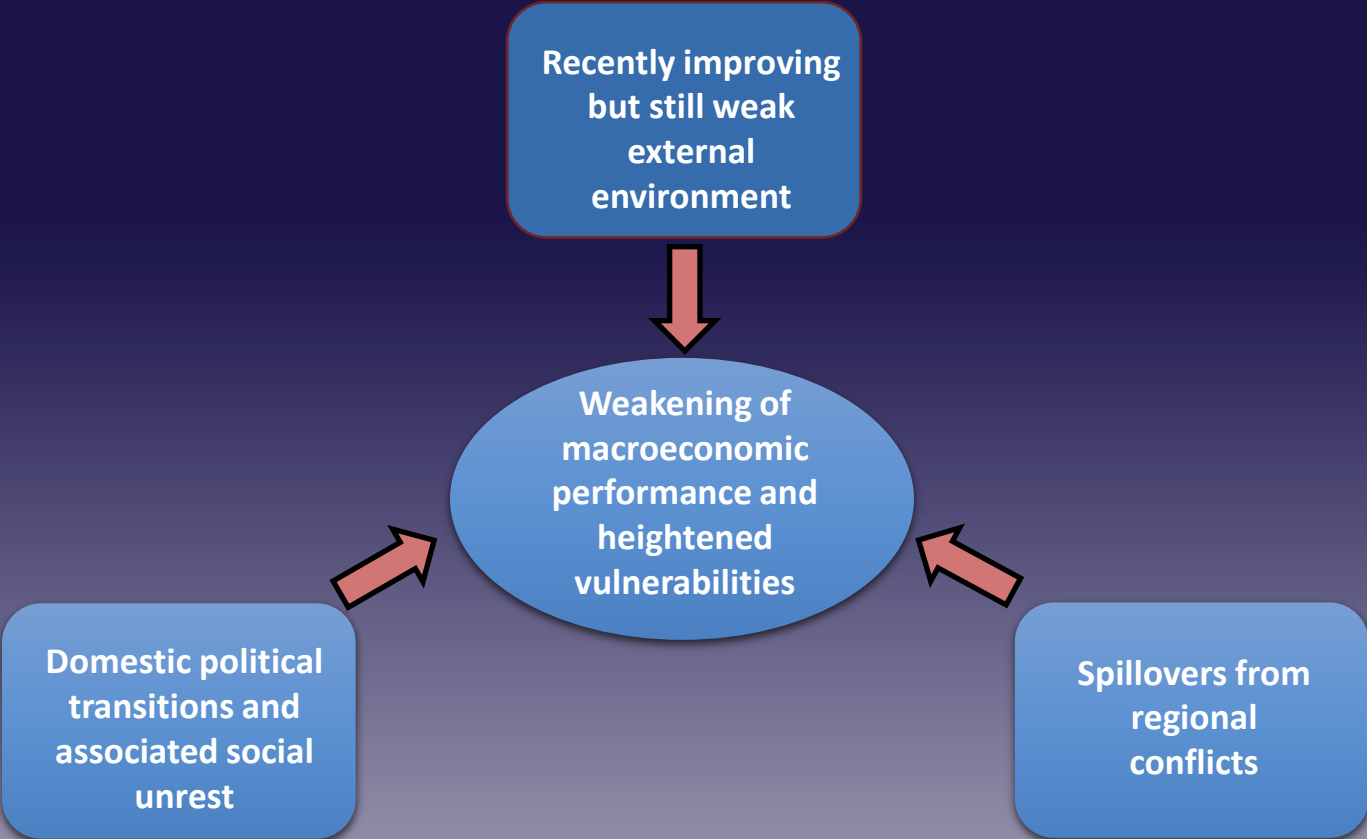
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Director

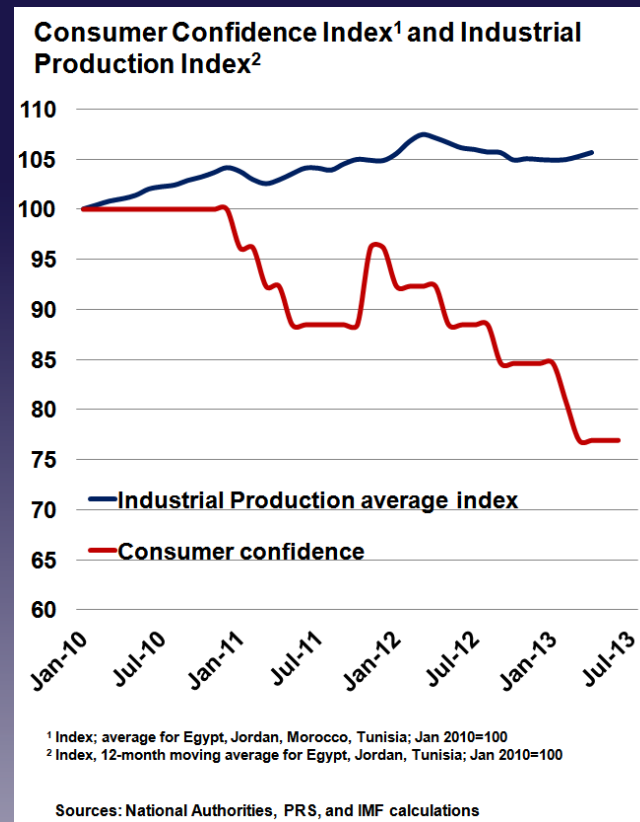
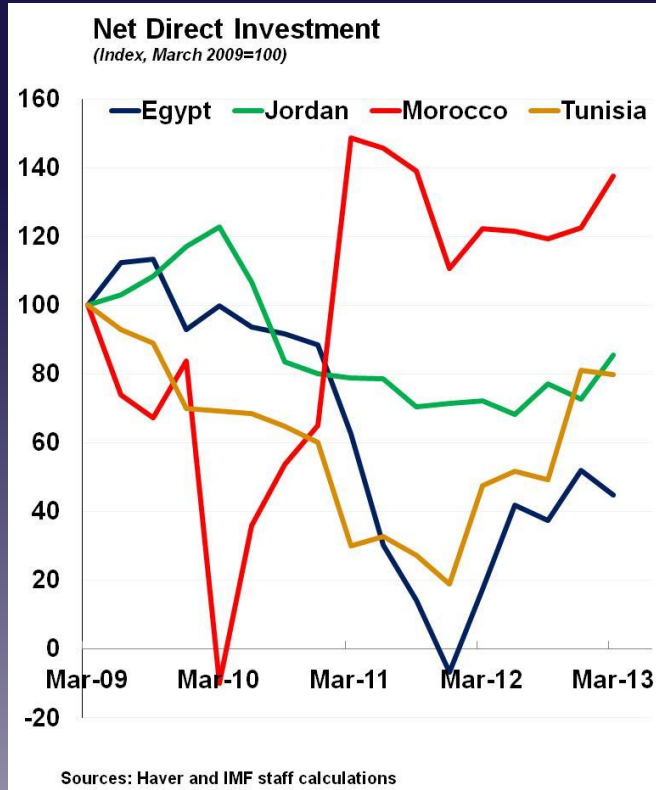
Middle East and Central Asia Department

International Monetary Fund

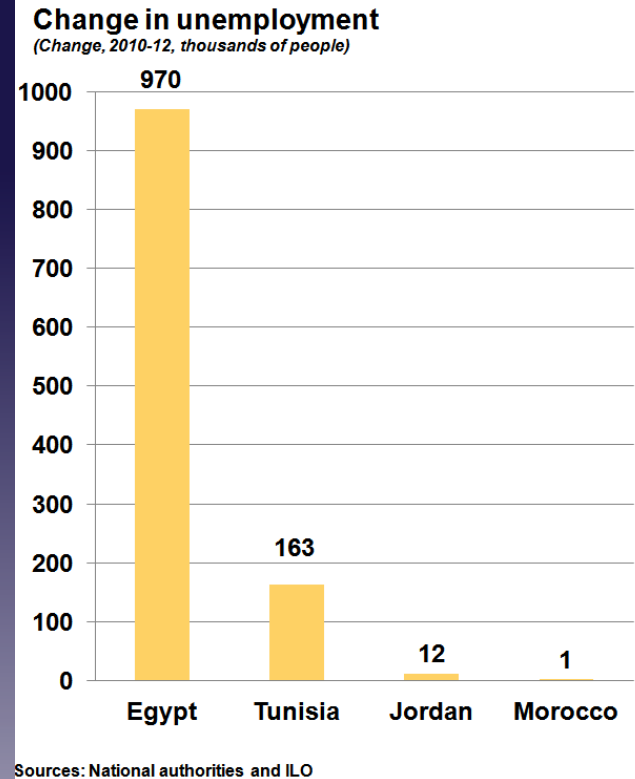
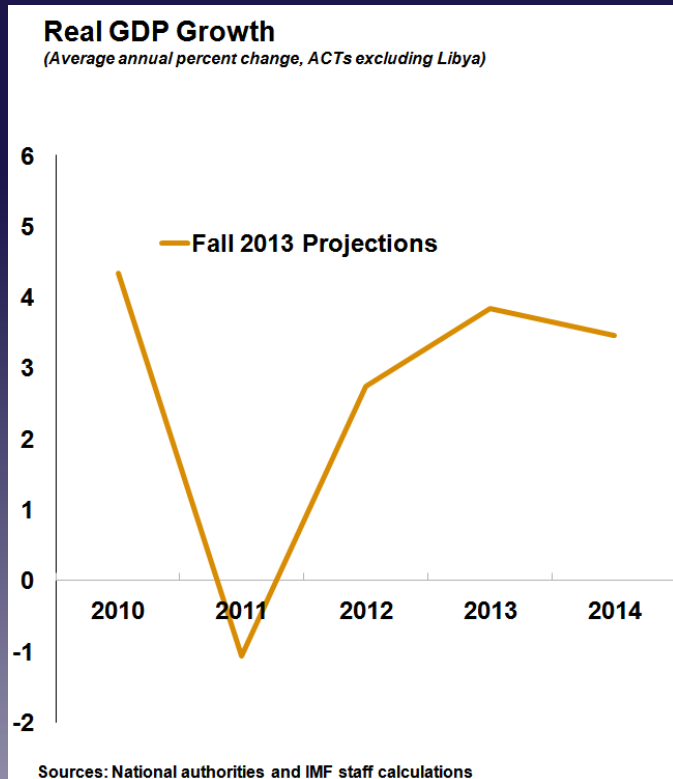
# Three shocks have led to...



# ...weak and often declining private sector confidence,...



...and growth that is too low to reduce unemployment.



# Downside risks weigh on the region,...

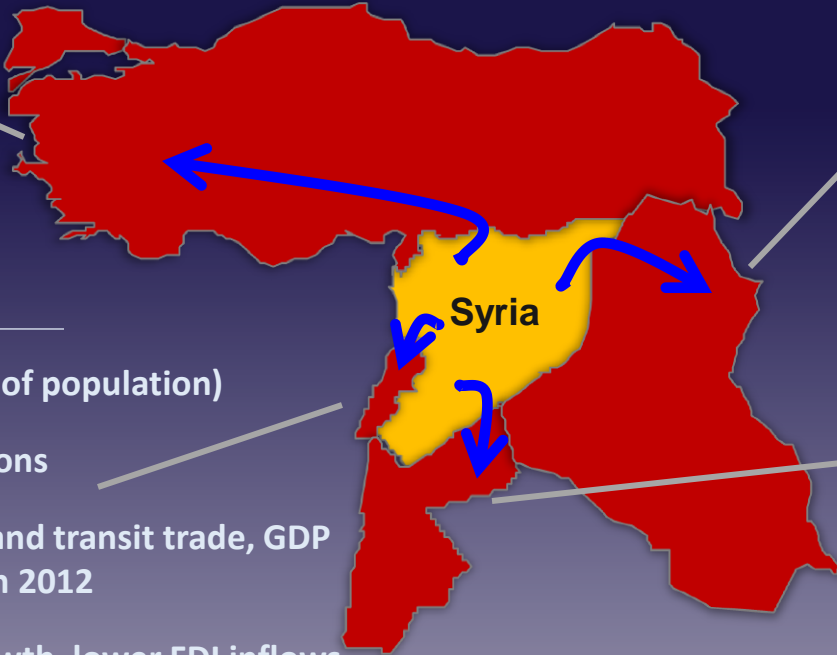
## Syrian Crisis: Overview of Current Spillovers

### Turkey

- 434k refugees

### Lebanon

- 675k refugees (16 percent of population)
- Increase in sectarian tensions
- Sharp decline in tourism and transit trade, GDP growth only 1.5 percent in 2012
- Slow down in deposit growth, lower FDI inflows



### Iraq

- 161k refugees
- Deteriorating security situation
- Trade disruptions

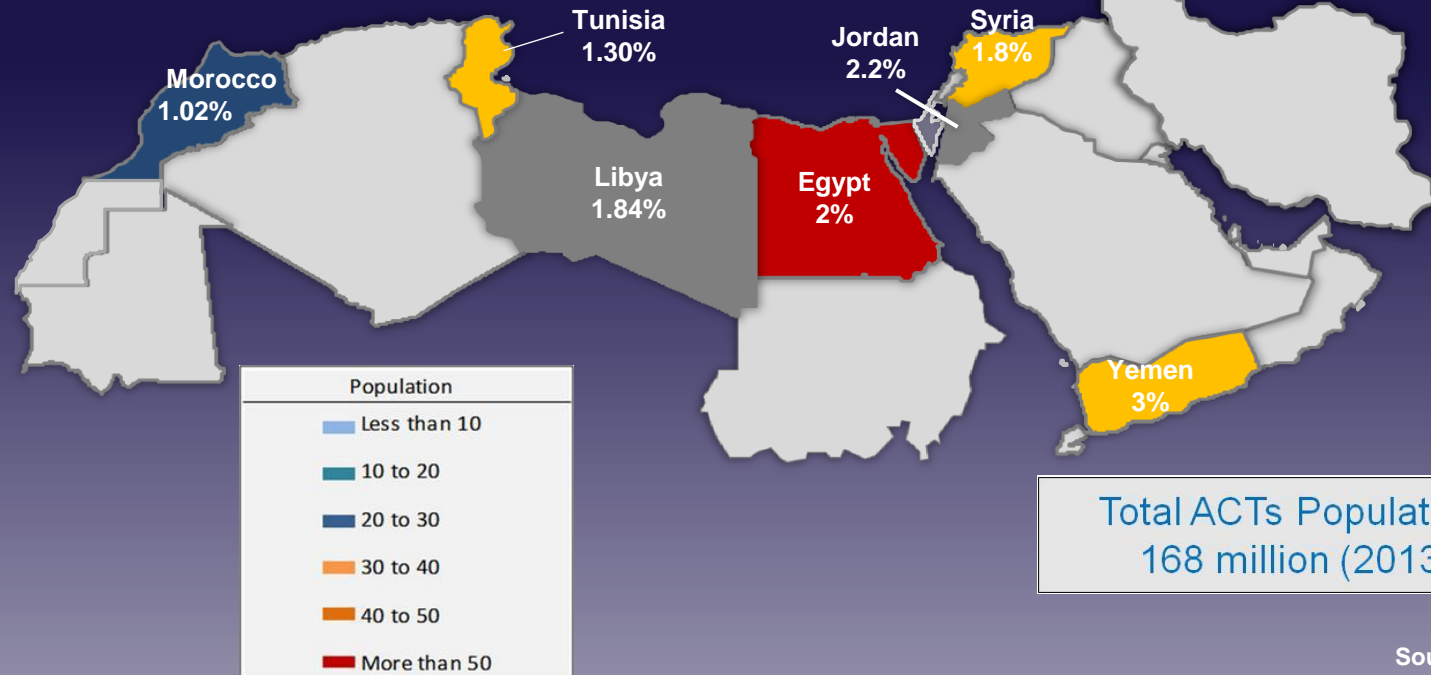
### Jordan

- 515k refugees
- 2012 fiscal cost: 0.7 percent of GDP
- Higher unemployment, lower FDI

... but there is considerable long-term potential.

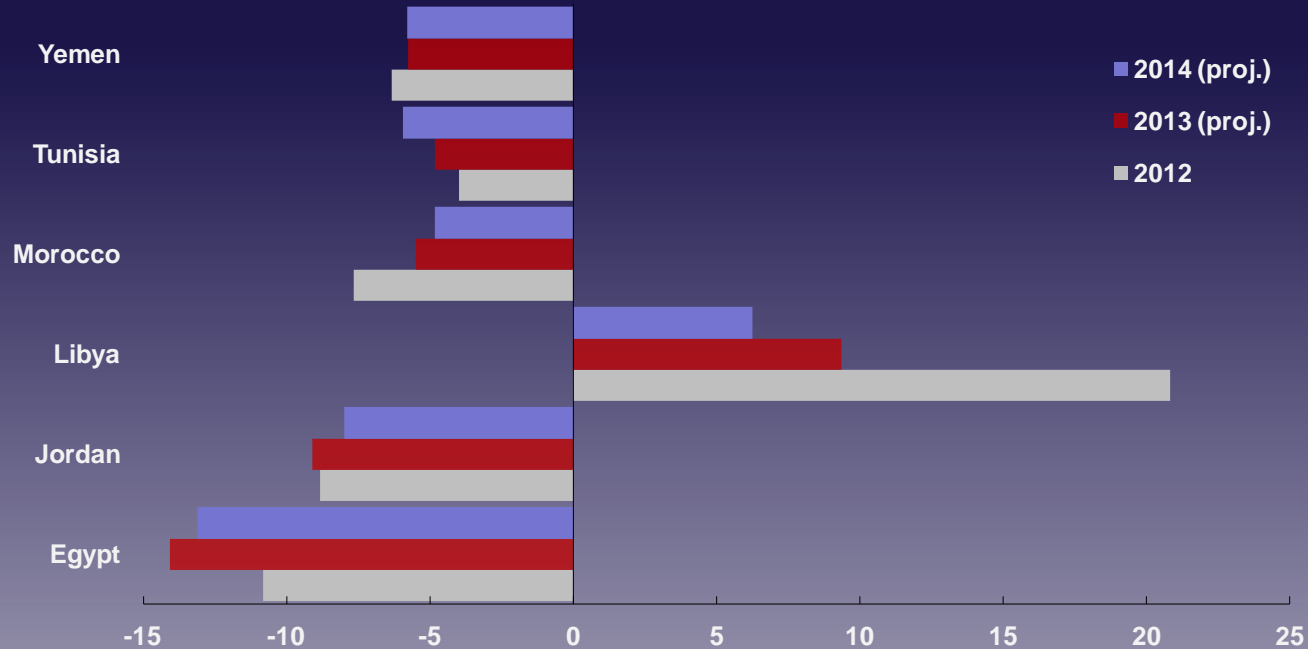
## Population size and annual growth

(Percentages show annual population growth, latest available)



# Need for maintaining macroeconomic stability, and...

**Central Government Fiscal Balances**  
(Percent of GDP)



Sources: National Authorities and IMF staff calculations



# ...reforms to achieve higher job-creating growth,...



## ...with priorities for the Arab Countries in Transition...

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**#1. Need to continue with reforms to maintain macroeconomic stability, even if unpopular (e.g. subsidy reforms)**

**#2. Need for establishing an economic vision to guide sustained reforms across multiple areas**


**#3. Early actions to generate quick wins and provide platforms to build on success**

**#4. Effective dialogue between government, the private sector, and civil society**



## ...and their external partners.

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**#1. Enhanced market access, FDI, and regulatory convergence through trade agreements (including early actions to build confidence)**

**#2. Financing to help achieve higher growth in support of political and economic transitions**

**#3. Technical assistance and training, including through adequately financed Transition Fund**

**#4. Sharing of experience**