

Regional Agenda

World Economic Forum on the Middle East and North Africa Advancing Conditions for Growth and Resilience

Dead Sea, Jordan 24-26 May 2013



© World Economic Forum

2013 - All rights reserved.

No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording, or by any information storage and retrieval system.

The views expressed are those of certain participants in the discussion and do not necessarily reflect the views of all participants or of the World Economic Forum.

REF 280513

Contents

3	Preface
4	News from the Dead Sea
6	New Partnerships for Arab Employment, Entrepreneurship and Infrastructure
14	Strengthening Economic Governance
22	Advancing Regional Cooperation and Resilience
32	Acknowledgements
33	Further Information

Preface



Miroslav Dusek
Director
Head of Middle East
and North Africa



Hala Hanna
Global Leadership
Fellow
Middle East and
North Africa

At a time of profound societal shifts, renewed efforts to overcome long-standing fault lines, and the acute Syria crisis, the 2013 World Economic Forum on the Middle East and North Africa at the Dead Sea in Jordan provided business, government and civil society leaders, an opportunity to gain insight on pivotal trends and catalyse common action on the most pressing regional issues.

Convening under the theme *Advancing Conditions for Growth and Resilience*, the meeting brought together over 1,000 key leaders, representing diverse economic, political, social and religious outlooks to harness the region's potential and focus on resolving its biggest challenges. The region's transformations have by no means come to an end. However, the region has all the ingredients for success: a youthful population eager to contribute to the region's economy, large energy endowments and some of the fastest-growing economies globally. Success will be defined by how well countries can invest productively to create jobs, strengthen models of governance, and advance regional cooperation and resilience. The tasks ahead are difficult, but not insurmountable.

In the coming decade, 75 million jobs need to be created in the region if it is to harness the potential of its young people who are either unemployed or underemployed. Making the most of this precious human capital will depend on investing productively in infrastructure, creating the conditions for youth-driven entrepreneurial growth and getting the most urgent institutional reforms right.

Countries in the region also need to consider how best to respond to public expectations while fostering competitive market-driven economies. Improving the prosperity of economies facing resource scarcity and rapid population growth will require solid financing streams. Government, civil society and business should be encouraged to jointly work together to strengthen institutions and contribute to greater societal resilience.

In an environment of a continued global economic slowdown, bolstering regional trade is increasingly important to safeguard economies in transition. While the foreign policy priorities of newly elected governments are reshaping MENA's diplomatic and security outlook, regional cooperation continues to have a central role, particularly with regards to managing the impact of humanitarian emergencies and human security.

The aim of the World Economic Forum on the Middle East and North Africa is to drive the dialogue necessary to overcome the challenges and foster a spirit of cooperation. As such, one of the highlights of the meeting was the announcement of the Breaking the Impasse Initiative that brought together Israeli, Palestinian and international actors. The Initiative called for action on peace in the presence of US Secretary of State John Kerry, Palestinian President Mahmoud Abbas and Israeli President Shimon Peres.

News from the Dead Sea

Co-Chairs



Jin-Yong Cai
Executive Vice-President
and Chief Executive
Officer
International Finance
Corporation (IFC)
Washington DC



Ibrahim S. Dabdoub
Group Chief Executive
Officer
National Bank of Kuwait
Kuwait



Samer S. Khoury
President, Engineering
and Construction
Consolidated Contractors
Company (CCC)
Greece



Mohammed H. Al Mady
Vice-Chairman and Chief
Executive Officer
Saudi Basic Industries
Corporation (SABIC)
Saudi Arabia



Mina Al-Oraibi
Assistant Editor-in-Chief
Asharq Al-Awsat
Newspaper
United Kingdom



Martin Senn
Group Chief Executive
Officer
Zurich Insurance Group
Switzerland



Breaking the impasse

In an historic moment, more than 300 Israeli and Palestinian business leaders – in the presence of US Secretary of State John Kerry, Palestinian President Mahmoud Abbas and Israeli President Shimon Peres – called on their respective governments to renew the political process to end the Israeli-Palestinian conflict.

The Breaking the Impasse Initiative, started a year ago, is led by Palestinian business leader Munib Masri and Israeli business leader Yossi Vardi, and facilitated by the World Economic Forum. The Forum aims to continue to support the community and will work with other global stakeholders to help ensure that the Initiative is taken further. US Secretary of State Kerry added to the call for action in a major plenary of the World Economic Forum on the Middle East and North Africa by announcing a US\$ 4 billion economic programme to kick-start the Palestinian economy and provide the basis for sustainable peace between Israelis and Palestinians.

Learn more at: <http://wef.ch/btisummary>



Competitiveness in the Arab world

The fifth edition of *The Arab World Competitiveness Report* – published by the World Economic Forum and the European Bank for Reconstruction and Development (EBRD) – investigates the Arab world's current competitiveness. Among the Arab countries assessed, Qatar, Saudi Arabia and the United Arab Emirates are leading in overall competitiveness while North African and Levantine economies lag behind Gulf countries.

The joint report attempts to contribute to understanding the key factors determining future prosperity and economic growth in the Middle East and North African region, with a particular focus on North African countries undergoing a transition, and offers policy-makers and business leaders an important tool in improving economic policies and implementing institutional reforms. The Forum has been providing detailed assessments of Arab nations' productive potential through *The Arab World Competitiveness Report* series since 2002 and continues to stimulate dialogue on competitiveness between the public and private sectors in the region.

Read the report: <http://wef.ch/awc13>



Royal award for innovative youth

World Economic Forum Founder and Executive Chairman Klaus Schwab, in the presence of the King of Jordan, announced the three recipients of the 2013 King Abdullah II Award for Youth Innovation and Achievement at the closing session of the World Economic Forum on the Middle East and North Africa. The award recognizes youth who are engaged in exemplary activities, which promote innovation and social entrepreneurship to improve local communities.

This year's finalists were engaged in projects ranging from promoting entrepreneurship to students in Jordan and organizing dances in Palestinian communities, to working with disadvantaged children in Egypt, Lebanon and Yemen. Winners receive a US\$ 50,000 grant to help scale up their projects in the Arab region and to pursue training opportunities to enhance their skills as young leaders. "When we see these young people, we can feel very optimistic and inspired," Schwab said.

Visit <http://www.kaayia.org>



Global Agenda Outlook

In Jordan, the Network of Global Agenda Councils published the *Global Agenda Outlook 2013* in Arabic. This version, specific to the region, aims to encourage dialogue and increase readership not only at the level of decision-making centres, but also at the level of the general public.

The report is based on the opinion of 1,500 global experts of which 900 met face to face during the 2012 summit in Dubai. The content reflects the most pressing debates in the Network of Global Agenda Councils, as well as the results of two surveys.

This year's report focuses on six axes: globalization, the economy, geopolitical issues, science and technology, global growth and leadership values. Eighteen Global Agenda Councils Members, including Nobel laureates, heads of international organizations, academics and leaders of civil society, contributed to this report. The report analyses concisely the most important forecasts for 2013 and highlights promising areas for the year.

Read the report: <http://www.weforum.org/reports/global-agenda-outlook-2013-arabic>

Harnessing the potential of young people

The Arab Spring raised the hopes of millions of people across the Middle East and North Africa region. More has to be done to address the single most important demand of the region's growing young population: a well-paying job that enables its youth to live in dignity. Tackling the youth unemployment crisis is key to laying the foundation for sustainable economic growth.



“

Openness is a strategic choice for Jordan, but regional cooperation is the backbone of sustainable growth throughout the region.

”

H.M. King Abdullah II Ibn Al Hussein
King of the Hashemite Kingdom of Jordan

The Middle East and North Africa (MENA) region suffers from the highest unemployment rate in the world among youth – at 28.3%. Over the coming decades, 75 million jobs must be created. It is time to address the underlying causes of the disaffection that triggered the wave of protests that ousted regimes. A possible “youthquake” could spark new waves of protest and threaten the stability of a region that is already mired in crises.

The youth bulge in MENA could be the next “perfect storm” – a confluence of record birth rates, deflated expectations in the wake of the Arab Spring, civil war in Syria spilling across its borders and low economic growth. Clogged labour markets, a mismatch between education and work, and pervasive inequality are deep-rooted issues that affect the region.

The unemployment challenge cannot be resolved without significant strides in the countries’ national competitiveness. The Forum’s *Arab World Competitiveness Report 2013* cites underdeveloped skills, weak institutions and labour market inefficiency as the main factors curbing competitiveness and job creation.

Money alone will not solve the critical institutional and structural issues that underlie the region’s employment crisis. But public-private partnerships

that include young people are seen as a way forward to foster a fledgling entrepreneurial culture and create jobs.

Rather than wait for governments and the private sector to act, economic opportunities for young people must be created now while new regimes are in flux and policy-making is at a standstill. One way to get traction is through “incrementalism” built around innovative partnerships that can bring about change, innovation and results. However, partnerships must focus on realistic entry points to bring about quick wins.

Education - the game-changer

A new vision for Arab employment requires a “regional renaissance” and a revolution of ideas and innovation. This renaissance will not happen, however, until the region redesigns its value chain of skills.

H.M. Queen Rania Al Abdullah of the Hashemite Kingdom of Jordan, long an advocate for education reform, made an impassioned plea for action. “We have watched investments in the wrong kind of education and the ill effects of increasing poverty in many regions. Frustrations are boiling over. There can no excuses anymore. We must do better. Our children deserve it. Our young people demand it,” she said.



“

Successful reforms in the region will depend on the cooperation of the business community with the political community.

”

Klaus Schwab Founder and Executive Chairman, World Economic Forum



01: Ellen Kullman, Chair of the Board and Chief Executive Officer, DuPont, USA

A new vision for employment requires more innovation, openness, flexibility and partnerships. “This starts with the government and the private sector forging closer ties ... and tangible relationships among schools, skills and the marketplace to inspire entrepreneurship and innovation,” the Queen said.

School curriculums should teach entrepreneurship hard and soft skills and financial literacy from an early age. In Europe, for example, 30% of young people who participate in Junior Achievement Programmes start their own companies before the age of 25.

The anatomy of entrepreneurialism

Across the region, young people have traditionally aspired to work in the public sector. But this model is unsustainable. However, SMEs account for 80% of businesses and 30% of employment across the region. They are the engines of growth and employment.

At the same time, entrepreneurial spirit is flourishing across the region. Many young people are brimming with ideas and business incubators abound. There are a number of early-stage and seed investment companies providing

entrepreneurship training, mentors, incubation and follow-up investment funds to hundreds of creative young people in the IT sector. This lifts young enterprises out of the “funding desert” and helps them to scale up their businesses.

The meteoric rise of incubators fuels optimism. Yet many barriers remain to SME growth. SMEs face numerous complex and interlinked challenges, as well as access to finance. An enabling ecosystem is needed to support entrepreneurs and nourish fledgling businesses. Lending to SMEs in the best of circumstances requires a suite of assessment, risk management and evaluation tools that most banks in the region do not have. Financial infrastructure needs to be shored up.

Some participants argued that government’s role is to provide a conducive regulatory framework that provides a level playing field, nourishes a business culture, fosters success, encourages risk-taking and does not punish failure. Others called on governments to fund SMEs directly. A role for international financial institutions could be to work with MENA region governments to help shape legislation.



A new vision for Arab employment

Heightened social expectations in the Arab world are keeping employment at the top of the political and business agenda.

To tackle the region’s unemployment crisis, the Forum has launched the New Vision for Arab Employment Initiative, which works to provide a unique platform from which to promote employment reform and job creation in the Middle East and North Africa.

Members of the community will meet throughout the year, including at the World Economic Forum Annual Meeting in Davos-Klosters, Switzerland, in January 2014. The Initiative builds on previous work done by the Forum on the role of large employers in driving job creation in the Arab world.



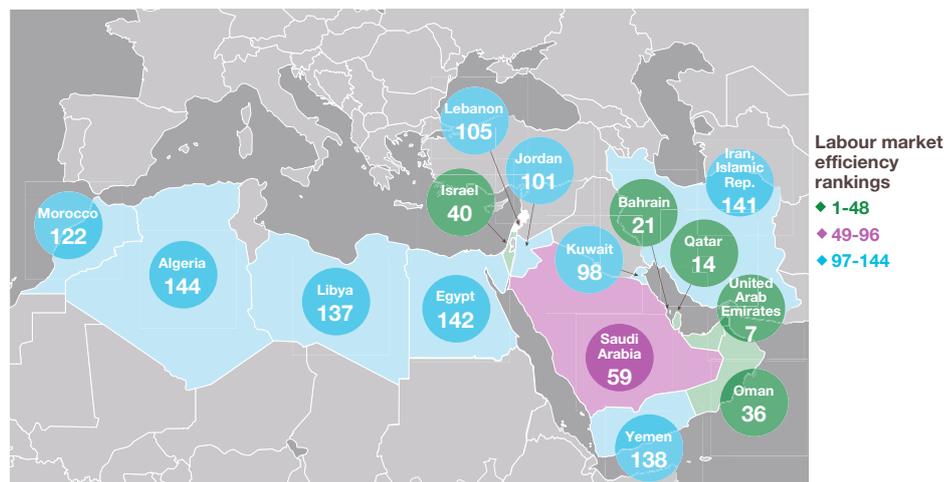
“
Millions of people
need millions of jobs.
”

H.M. Queen Rania Al Abdullah of the Hashemite Kingdom of Jordan

Nine MENA countries are at the bottom of global labour market efficiency rankings

Labour market efficiency rankings, MENA, 2012

Source: World Economic Forum ‘Global Competitiveness Report’
Note: Labour market efficiency is assessed based on cooperation in labour-employer relations, flexibility of wage determination, hiring and firing practices, redundancy costs, pay and productivity, reliance on professional management, brain drain, female participation in labour. All data, except for that on redundancy costs and female participation in labour, are from the World Economic Forum’s Executive Opinion Survey.





Overcoming the infrastructure deficit

According to the World Bank, the Arab world needs to invest between US\$ 75 billion to US\$ 100 billion a year in infrastructure to sustain growth rates and spur competitiveness. Governments are looking to the private sector to kick-start this investment by engaging in public-private partnerships.

However, there is much work to be done to gain private sector confidence in the face of chronic instability. Why should companies invest in countries with new governments that cannot work with opposition political parties and thereby create a climate of uncertainty?

Investors need certainty, clarity and a transparent legislative framework that fosters inward investments and provides them with the means to execute exit strategies.



“
My wish for the governments of the Middle East and North Africa: just let go. Don't control every aspect of the economy.
 ”

Ibrahim S. Dabdoub Group Chief Executive Officer, National Bank of Kuwait, Kuwait; Co-Chair of the World Economic Forum on the Middle East and North Africa

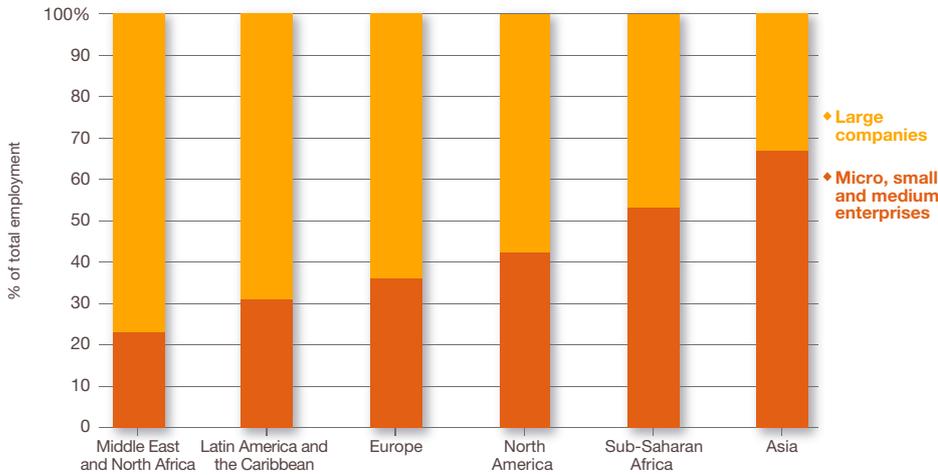
01: Arthur Nigel Pont, Regional Director, Middle East, MercyCorps, Lebanon



Large companies in MENA contribute more towards employment than in other regions

Contribution to employment by company size, world regions

Source: International Labour Organization; International Finance Corporation (World Bank Group), MSME Country Indicators
 Note: Company size based on number of employees. Micro, Small and Medium Enterprise definitions differ across countries. Regional averages calculated by weighted average of total employment. Latest available data taken, ranging from 2002-2010.



“ Governments looking for quick wins should be looking to public-private partnerships that include young people. ”

Mohammed H. Al Mady Vice-Chairman and Chief Executive Officer, Saudi Basic Industries Corporation (SABIC), Saudi Arabia; Co-Chair of the World Economic Forum on the Middle East and Africa



01: Jill Otto, Associate Investor, J.P. Morgan, USA; Young Global Leader; Global Agenda Council on Financing & Capital
02: Ahmed el Rahman Waleed, General Manager, Red Sea World, Egypt; Global Shaper



Good business, with the right family values

Family and private companies play a crucial role in sustaining growth, improving society across the world and contributing to substantial economic development. With 80% of businesses in the MENA region owned or controlled by families, they are well-positioned to drive growth.

The growth, innovation and sustainability of these enterprises are crucial. The companies are responsible for about 70% of the region's employment and make valuable contributions to their societies through education, healthcare, entrepreneurship and philanthropic initiatives.

However, family and private companies in the region face many challenges, including that of an estimated US\$ 1 trillion of assets set to be transferred to the third generation in the next 10 years. Although well-structured family businesses can be more successful than their publicly owned counterparts, fewer than 30% of them worldwide survive beyond their third generation.

This "death spiral" is caused by numerous factors, including higher expectations by each new generation, more family members involved, family conflict and increasing pressure to make a profit. This often leads to infighting and poor decision-making.

How can such companies succeed and continue to make a positive contribution to the MENA region? The consensus at the World Economic Forum on the Middle East and North Africa meeting is that there are many ways to transform the current family and company structures that will drive growth and foster strong stewardship.

Families within the region are not only adopting best practices from other regions, but are developing innovative structures that instill a business culture based on meritocracy and good governance.



01

01: Ayman Maamoun Tamer, Chairman and Managing Partner, Tamer Group, Saudi Arabia
02: Omar K. Alghanim, Chief Executive Officer, Alghanim Industries, Kuwait; Young Global Leader



02





01: Mohamed Alabbar, Chairman, Emaar Properties, United Arab Emirates
02: Bassem Al Salem, Chairman, Capital Bank, Jordan
03: Eman Akbar Rafay, Director, E.A.R Enterprise, Oman; Global Shaper
04: Rasha Hussein, Global Shaper
05: Majid Jafar, Chief Executive Officer, Crescent Petroleum, United Arab Emirates; Global Agenda Council on





01: Mohamed El Dahshan, Senior Research Fellow, Center for International Development, Harvard University, USA, Global Shaper; Luc Bachelerie, Managing Director, Adecco Middle East, United Arab Emirates; Soraya Salti, Senior Vice-President, Middle East and North Africa, INJAZ Al-Arab - Junior Achievement Worldwide, Jordan, Young Global Leader, Global Agenda Council on Education & Skills; José Manuel Salazar Xirinachs, Assistant Director-General for Policy, International Labour Organization (ILO), Geneva, Global Agenda Council on Youth Unemployment; Safwan Masri, Vice-President, Global Centers, Columbia University, USA
02: H.M. King Abdullah II Ibn Al Hussein, King of the Hashemite Kingdom of Jordan; Klaus Schwab, Founder and Executive Chairman, World Economic Forum



“
In certain countries in this region, government jobs are the only jobs people want. We have to change that.
 ”

Jin-Yong Cai Executive Vice-President and Chief Executive Officer, International Finance Corporation (IFC), Washington, DC; Co-Chair of the World Economic Forum on the Middle East and North Africa



Inclusiveness and resilience to risk

Two years after the beginning of the transitions in the Middle East and North Africa, countries in the region are seeking to accommodate their people's heightened expectations while creating competitive economies. Many countries are struggling to ensure that the public sector can respond to often seriously underemployed populations. Productive partnerships among governments, the private sector and civil society are required to build sustainable, inclusive economies while confronting resource scarcities and rapid population growth.



“

We are encouraged by the growing emphasis in the region on education and training.

”

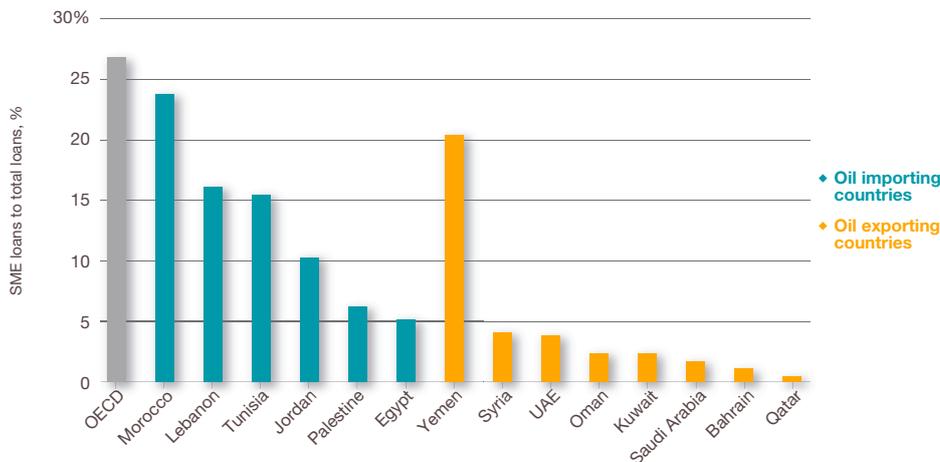
Martin Senn Group Chief Executive Officer
Zurich Insurance Group, Switzerland;
Co-Chair of the World Economic Forum on
the Middle East and North Africa

SME financing levels among MENA oil importers higher than most exporters but lower than OECD

SME loans to total loans, OECD and select MENA countries

Source: The World Bank, 'The Status of Bank Lending to SMEs in the Middle East and North Africa Region' (2011); UNCTAD Statistics (2011)

Note: Oil exporting countries are those with positive net exports of mineral fuels, lubricants and related materials. Prior to 2011 Egypt was a net exporter but in 2011 was a net importer.



Before the Arab Spring, Egypt and Tunisia had reasonably good rates of economic growth. However, that growth did not prevent revolt, regime fall and chaotic aftermaths. The benefits of growth were not fairly distributed and most people felt excluded from the political process. To ensure stability and sustained growth in the region, there must be political and economic inclusion.

Political and economic exclusion leads to uncertainty and instability, which deters much-needed investment for job growth and prosperity. Long-term stability will require the nurturing of a vibrant middle class with a stake in the system. Creating such a middle

class requires empowering women through education and access to the workforce.

Business regulation procedures in the region also need to be simplified and government bureaucracies reformed.

Anti-corruption and accountability

While progress is being made in some countries in the Middle East and North Africa (MENA), corruption in the public and private sectors is still a challenge. Corruption breeds cynicism and frustration among people, and deters local and foreign investment. Without transparency of decision-making processes, even transactions that are “clean” may be viewed with suspicion.

01: Sayed Ammar Al Hakim, Chairman, Islamic Supreme Council of Iraq
02: The 2013 King Abdullah II Award for Youth Innovation and Achievement at the closing session of the World Economic Forum on the Middle East and North Africa





Mind the gender gap

The gender gap in the Arab region stands at 59% (where 100% represents perfect equality between men and women), according to the World Economic Forum's *Global Gender Gap Report 2012*. This compares with 66% in Asia and the Pacific, the next lowest ranking region, and 74% in North America, which has the highest score.

Out of 135 countries assessed in the report's Global Gender Gap Index. The United Arab Emirates (107) continues to hold the top position among Arab countries and is the only country from the region that has closed the educational attainment gap. The UAE falls four places in the overall ranking due to a decrease in the estimated earned income and the percentage of women in parliament indicators.

Kuwait (109) is part of the top 20 performing countries on the secondary education enrolment indicator and is part of the top 10 performing countries on the tertiary education enrolment indicator, while Bahrain (111) is among the top 20 highest climbers of the 111 countries that have been included in the report in 2006, with an overall score percentage change of 6.9% relative to 2006.

Qatar (115) is one of the two countries with a zero score in the political empowerment sub-index. However, the country is among the top three performing countries in enrolment in secondary education and the top country in tertiary education.

The rankings are designed to create greater awareness among a global audience of the challenges posed by gender gaps and the opportunities created by reducing them.

Read the *Global Gender Gap Report 2012* at: <http://wef.ch/ggr12>



01: Mustafa Jassim Al Shamali, Deputy Prime Minister and Minister of Finance of Kuwait
02: Kay Granger, Congresswoman from Texas (Republican), 12th District, USA
03: H.H. Ameerah Al Taweel, Co-Founder and Chairwoman, Tasamy Center, Saudi Arabia



Progress in the fight against corruption can be seen with the ratification of the United Nations Convention Against Corruption by many nations, recently by Saudi Arabia. Another important effort is the World Economic Forum's Partnering Against Corruption Initiative (PACI), the world's leading anti-corruption and transparency platform. Launched in 2004 by private sector chief executives, PACI provides a public space for top-level corporate commitment and support for companies in implementing anti-corruption policies. On becoming a PACI signatory, a company commits to zero-tolerance policies towards bribery and corruption.

Technology is also helping the fight against corruption. E-government and e-procurement systems reduce human interactions in transactions prone to bribery. The Internet and social media provide means for government and business actions to be widely publicized, analysed, critiqued and challenged.

Addressing risks, building resilience

The MENA region faces many risks and needs to enhance resilience to deal with them. Participants at the World Economic Forum on the Middle East and North Africa identified the 12 most serious risks facing the region:

- Spillover into other countries from the violence in Syria
- Corruption

- Unacceptably high rates of youth unemployment
- Lack of rule of law
- Gender inequality
- Poor economic integration at the regional level
- Geopolitical threats to business
- Poor infrastructure
- Insecurity and instability in the Levant
- Resource scarcity, particularly water
- Sectarian violence
- Lack of political will for needed reforms

Resilience can be defined as a country's capacity to adapt to change, withstand sudden shocks, and recover desired equilibrium while continuing to function. Building resilience in the region, therefore, will require much effort and many hard choices.

The hard choices include determining what are the proper roles of government, the private sector and civil society; what should be the political and economic roles of women in the MENA societies; what role and influence should religion have in politics and law; and what actions are needed to improve the region's competitiveness. Resilience will also require better, more inclusive, platforms for dialogue to address and debate these choices.

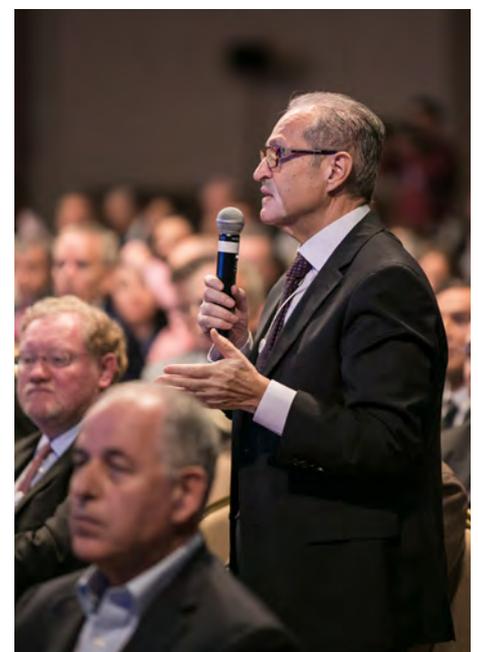
Better education is critical to building resilience. Much education in the region is theory-based, not geared to imparting skills demanded in the workplace. Another challenge is meeting the needs of large numbers



“
Governments need to be transparent and reform their judicial systems to encourage private sector investment.
 ”

Samer S. Khoury President, Engineering and Construction, Consolidated Contractors Company (CCC), Greece; Co-Chair of the World Economic Forum on the Middle East and North Africa

01: H.H. Prince Saud Bin Abdullah Bin Thenayan Al-Saud, Chairman of the Board, Saudi Basic Industries Corporation (SABIC), Saudia Arabia; H.M. Queen Rania Al Abdullah, Queen of the Hashemite Kingdom of Jordan





01: Khalid Al Khudair, Chief Operating Officer, Markets, KPMG, Saudi Arabia, Global Shaper; Stefanie Babst, Chief Strategic Policy Analyst to the Secretary-General and Chairman of the Military Committee, North Atlantic Treaty Organization (NATO), Brussels, Nicholas van Praag, Writer; Narkis Alon, Ze-ze, Israel; Hassan Mohiuddin, Member, Board of Governors, Minhaj University, Pakistan

of unemployed, frustrated graduates. Education should impart employable skills, but also build character.

There are additional ways to build resilience and mitigate risks. Politicians must summon the courage to take decisions that move the region forward. Law reform is needed to encourage entrepreneurship and job creation. Investments by affluent Gulf Cooperation Council countries are much needed in their less affluent neighbours. Social, economic and political inclusion must be improved.

Reforming dysfunctional subsidies

Many nations in MENA heavily subsidize the cost of basic commodities such as petroleum, electricity, milk and bread. For example, in the region, energy subsidies alone account for nearly 25% of annual government expenditure compared with less than 1% in developed country economies.

Originally conceived as a means to assist the poor, these subsidies, according to most economists, are seriously dysfunctional. They benefit the rich much more than the poor; they create incentives for excessive consumption; they divert public funds from more pressing needs such as education, health and infrastructure; and they encourage cross-border smuggling and corruption.

For the economic health of the region, these subsidies should be reformed. However, people and businesses have come to depend on them and often view subsidies as a right. As a result, politicians and governments are slow to make much-needed reforms.

Experts agree that subsidy reform should be undertaken gradually, coupled with an effective public communication campaign to educate people and businesses of the adverse economic effects of subsidies. The campaign should explain how the money saved would be directed to other important public purposes. Eliminating subsidies should be accompanied with the implementation of alternative social safety net mechanisms such as direct payments to low-income people and struggling small businesses.



“

The region needs to move its focus away from energy exports, especially given the moderate growth recovery in the global economy.

”

Min Zhu Deputy Managing Director, International Monetary Fund (IMF), Washington DC



01: Ibrahim El Sharif, Chairman, Public Projects Authority (PPA), Libya; Usama Siala, Minister of Communications and Informatics, General National Congress of Libya (GNC), Libya, Mohamed Ali Abdallah, President, National Front Party, Libya

02: Klaus Schwab, Founder and Executive Chairman, World Economic Forum; Ibrahim S. Dabdoub, Group Chief Executive Officer, National Bank of Kuwait, Kuwait; Martin Senn, Group Chief Executive Officer, Zurich Insurance Group, Switzerland; Co-Chair of the Governors for Financial Services Industry for 2013; Abdullah Abdulkarim Hamdan Ensour, Prime Minister of the Hashemite Kingdom of Jordan; Min Zhu, Deputy Managing Director, International Monetary Fund (IMF), Washington DC

03: Participants at World Economic Brainstorming - Understanding Vulnerabilities, Enhancing Resilience



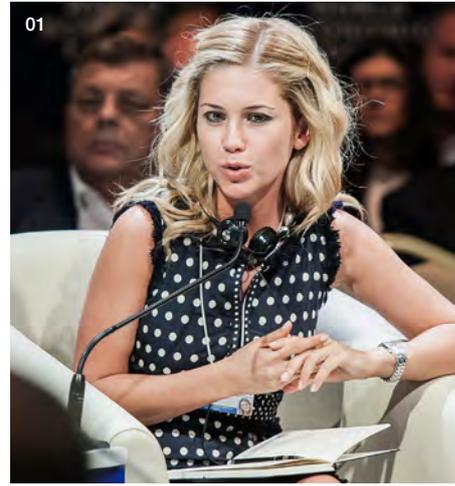
“

Unless the politics and the economics work together, nothing will be achieved.

”

Tony Blair Middle East Quartet Representative, Office of Tony Blair, United Kingdom





01: Suna S. Vidinli, Anchor, NTV, Turkey
02: Robert Greenhill, Managing Director, Chief Business Officer and Member of the Managing Board, World Economic Forum; Niall Ferguson, Laurence A. Tisch Professor of History, Harvard University, USA; Fouad Siniora, Member of Parliament, Lebanon; Sami Mahroum, Academic and Executive Director, Innovation and Policy Initiative, INSEAD, United Arab Emirates; Mustapha Kamel Nabil, Governor of the Central Bank of Tunisia (2011-2012); and Yasar Jarrar, Partner, Bain & Company, United Arab Emirates; Young Global Leaders
03: Amal Al Mutawa, Delegate, Office of the Prime Minister of the United Arab Emirates, United Arab Emirates
04: Participants at the Breaking the Impasse event



United approach can overcome challenges

Despite the diverse economic, social and historical circumstances across the Middle East and North Africa, the countries of this region share a number of common challenges – such as trade, tourism, food security and complex geopolitics – that lend themselves to joint action or shared reflection both between and within states.



“

Jordan is a good example of how the region continues to succeed and grow despite the challenges; beating the odds.

”

Mina Al-Oraibi Assistant Editor-in-Chief, Asharq Al-Awsat Newspaper, United Kingdom; Co-Chair of the World Economic Forum on the Middle East and North Africa

01



01: Shimon Peres, Israeli President; John Kerry, US Secretary of State; Mahmoud Abbas, Palestinian President

Changing geopolitics

MENA's economic and social prospects are inevitably linked to security issues, notably in Syria and the ongoing Israeli-Palestine standoff. With growing demands on the international community to arm and support Syrian opposition groups, the region is on a knife-edge that risks not only perpetuating suffering inside Syria, where 80,000 are estimated to have died, but also in the broader region as neighbouring countries are drawn into the conflict.

Already, Syria's neighbours are hosting 1.5 million refugees and that number is expected to double by the end of the year if the flow continues at current rates. The tragedy has an enormous human cost, but it also puts huge social and economic strains on refugee host countries such as Jordan and Lebanon.

The Israeli-Palestinian conflict continues to attract attention across the region. Two new initiatives offer some hope. In an encouraging demonstration of impatience, prominent Israeli and Palestinian business leaders launched an initiative to break the impasse in the peace process. Their goal is to leverage their collective business experience and influence to convince leaders to begin serious negotiations. The initiative is not an alternative to the political process, but it serves to underline the urgent need for action.

The second initiative, announced by US Secretary of State John Kerry, is a US\$ 4 billion economic programme designed to kick-start the Palestinian economy and provide the basis for sustainable peace. The plan, put together by a group of international and regional experts, aims to increase the Palestinian's GDP by 50%, cut unemployment from 21% to 8%, and increase average wages by 40% – all within a three-year time frame.

Cutting the red tape

The common challenges facing countries in the Middle East and North Africa (MENA) region range from the imperatives of macro-economic stability and trade relations, to modernizing labour markets, increasing tourism and securing food supplies. Stewardship of the region's natural resources, particularly water and energy, is also a major priority. Meanwhile, in a region with a Muslim majority and many other religious traditions, faith looms large as both unifier and divider.

Achieving economic and social stability is crucial in a region with a burgeoning population, big income inequalities and long-suppressed opportunities. There is a growing sense in the region, especially in countries outside the Gulf Cooperation Council (GCC), that economic stability can be achieved only by addressing the gap between the different economies.



“

The time is ripe for the whole region to live in peace.

”

Nabil Elaraby Secretary-General, League of Arab States, Cairo

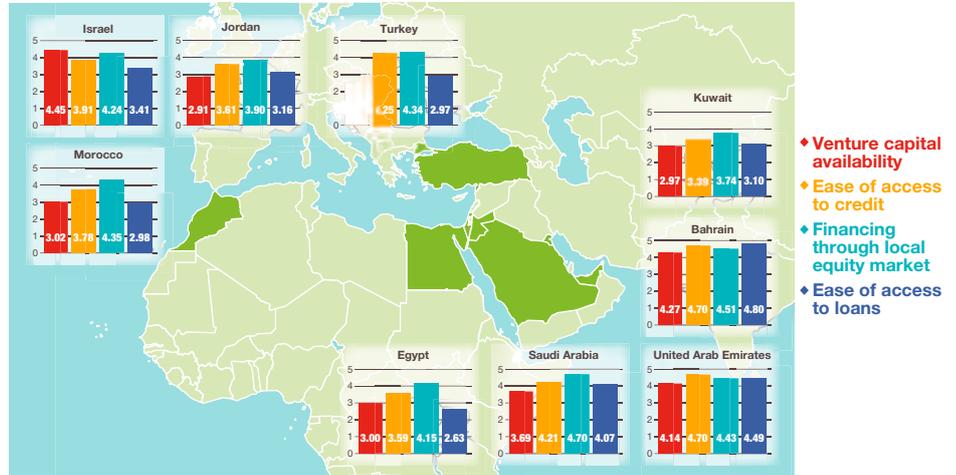


Access to commercial credit varies considerably between and within MENA markets

Key indicators of commercial access in select MENA countries 2012

Source: World Economic Forum, 'Financial Development Report 2012' (2012)

Note: Questions asked for commercial access variables: Venture capital availability - In your country, how easy is it for entrepreneurs with innovative but risky projects to find venture capital? (1 = Very difficult; 7 = Very easy); Ease of access to credit - During the past year, has it become easier or more difficult to obtain credit for companies in your country? (1 = Much more difficult; 7 = Much easier); Financing through local equity market - How easy is it to raise money by issuing shares on the stock market in your country? (1 = Very difficult; 7 = Very easy); East of access to loans - How easy is it to obtain a bank loan in your country with only a good business plan and no collateral? (1 = Very difficult; 7 = Very easy)



“

It is time to put in place a new model of development that is bigger and bolder than anything proposed since the Oslo Accord.

”

John Kerry US Secretary of State

Promoting trade and tourism is seen as promising in a region with significant potential in both areas. It will, however, require a more holistic approach to addressing a complex set of interwoven opportunities and challenges. Opportunities include international capital looking for high returns in emerging markets and a large regional market. Countervailing challenges include the lack of progress on economic integration, which means potential investors cannot use investment in one country as a bridgehead into others. Complex regulations and inefficient customs procedures act as a brake

on trade, while the prevailing focus on export markets leaves the region vulnerable to external shocks.

Political will is essential in making progress on trade in a part of the world where inter-regional commerce is lower than anywhere else. A united front in trade talks with large trading partners such as the European Union would enhance the region's negotiating clout. Better infrastructure is also important in facilitating trade. The lack of inter-regional roads and railways reinforces the priority on markets outside the region.

Tourism's potential, which is seen as promising because of the region's culture and climate, is unevenly realized. The United Arab Emirates (UAE) is a prime destination, while

growth elsewhere is patchy. In the wake of the Arab Spring, security concerns stopped tourism in its tracks, with Egypt particularly hard hit, although now recovering. Equally damaging are restrictive bilateral agreements on air travel that keep fares high and tourists away.

The region's large cohort of young people has implications for another kind of travel: migrant labour. The proportion of Arab workers in the Gulf has decreased from 70% of the total in the 1970s to just over 20% today. In this context, encouraging a more flexible labour regime within MENA is as important as freeing up the flow of capital, goods and services.

Labour policies remain rigid, with half the 14 countries in the region ranking in the bottom half of the World Economic



01: Faisal Gergab, Member of the Board, Libyan Investment Authority (LIA), Libya; Aldo Flores-Quiroga, Secretary-General, International Energy Forum (IEF), Riyadh; Nadine Hani, Senior Presenter, Al Arabiya News Channel, United Arab Emirates; Robert D. Kaplan, Chief Geopolitical Analyst, Stratfor, USA; Anas Alhajji, Chief Economist, NGP Energy Capital Management, USA



Syria's growing humanitarian crisis

Syria's increasingly bitter civil war is a major preoccupation in the region, with more than 1.5 million refugees seeking refuge in neighbouring countries and huge numbers displaced internally. UN estimates suggest these numbers will double by the end of the year if the exodus continues at its current rate.

Conditions are hard both for the refugees and those sheltering them, but they are even worse off within Syria where little international assistance is reaching them. This will require either a green light from the UN Security Council or the permission of the Syrian government. Neither is forthcoming.

In Jordan – where, just as in neighbouring Lebanon, the number of refugees is estimated at more than a half a million, exceeding 10% of the country's population – King Abdullah II is seeking an immediate end to the violence in Syria. He wants to see greater efforts to reverse social and economic fragmentation and rebuild the country. Regional cooperation has an important role to play in solving the crisis and contributing to stability and peace.

With the number of refugees rising daily, World Economic Forum Founder and Executive Chairman Klaus Schwab echoed the concerns of the international community. "The World Economic Forum is committed to supporting efforts to urgently address the Syrian humanitarian emergency," he said.

Forum's Global Competitiveness Index. Other priorities are better social protection, an education system that prepares young people for jobs in the modern economy, and a more equitable environment for foreign labour, especially in the GCC countries.

Smart agriculture and energy

Food security and managing natural resources require a robust resilience strategy. With water scarce throughout the region, growing food locally is not the best way to guarantee food security – certainly not if the energy costs of production outweigh the value of the agricultural produce. Most GCC countries rely on food imports and are investing in foreign agriculture to diversify supply.

Meanwhile, some countries including the UAE have developed "smart agriculture" techniques that offer lessons to the rest of the region. Their progress illustrates that agriculture

in tough environments is often more about technology than the plough. They also show the role the private sector can play in high-tech agriculture, with 40% of production in UAE managed by private firms.

Energy remains the sector most closely associated with the MENA region. Global trends, however, are battering a sector that has long dominated several regional economies. These trends include maturing oil fields in Saudi Arabia and falling demand as a result, in part, of the shale gas revolution in the US that has reduced that country's appetite for imported hydrocarbons.

While Gulf producers worry about global trends, they still have many advantages besides price, including economies of scale, infrastructure and proximity to markets in Asia and China.



01: Daniel Shapiro, Founder and Director, Harvard International Negotiation Program, Harvard University, USA; Young Global Leader; Global Agenda Council on Values
02: Munib R. Masri, Chairman, Palestine Development & Investment Ltd - PADICO HOLDING, Palestinian Territories; Klaus Schwab, Founder and Executive Chairman, World Economic Forum; Yossi Vardi, Chairman, International Technologies Ventures, Israel





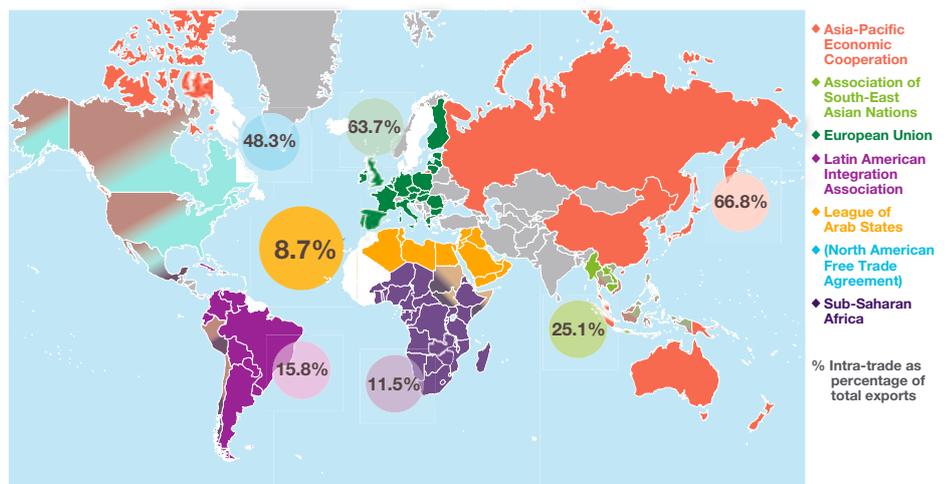
01: Mina Al-Oraibi, Assistant Editor-in-Chief, Asharq Al-Awsat Newspaper, United Kingdom; Robert Menendez, Senator from New Jersey (Democrat), USA; Nabil Elaraby, Secretary-General, League of Arab States, Cairo; John McCain, Senator from Arizona (Republican), USA; Amr Moussa, Secretary-General of the League of Arab States (2001-2011); Francis Maude, Minister for the Cabinet Office of the United Kingdom

“
Investment activity enhances the steadfastness of our people and supports the achievement of peace and stability in the region.
 ”

Mahmoud Abbas Palestinian President

Intra-regional trade within the League of Arab States is lower than the rest of the world
 Intra-trade as a percentage of total exports, world regions, 2011

Source: UNCTAD, PwC analysis
 Note: Trade blocs as specified by UNCTAD. The League of Arab States includes: Comoros, Djibouti, Mauritania, Somalia, Palestine, Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, Republic of Yemen. Sub-Saharan African trade blocs not shown as they do not encompass all of the region. Exports are calculated in USD at current exchange rates.





“
The hard part of a revolution is not making a revolution, it's implementing its goals.
”

John McCain Senator from Arizona (Republican), USA



01: Lara Setrakian, Founder and Executive Editor, News Deeply, USA; Thomas Alexander Aleinikoff, Deputy High Commissioner for Refugees, UNHCR, Geneva; Paolo Dall'Oglio, Priest, Syriac Catholic Church, Iraq; Sarah Leah Whitson, Executive Director, Middle East and North Africa Division, Human Rights Watch, USA; Salman Shaikh, Director, Brookings Doha Center (BDC), Qatar



WorkStudio: Towards Coexistence



“
Trade is the best antidote to conflict. By and large, peoples that trade together don't fight each other.
 ”

Francis Maude Minister for the Cabinet Office of the United Kingdom



- 01:** David Rosen, Rabbi and International Director, Interreligious Affairs, American Jewish Committee, Israel
- 02:** Taro Kono, Member of the House of Representatives, Japan; Chérif Rahmani, Minister of Industry, SMEs and Investment Promotion of Algeria
- 03:** Mehmet Simsek, Minister of Finance of Turkey; Philippe De Fontaine Vive Curtaz, Vice-President, European Investment Bank (EIB), Luxembourg; Salem Ben Nasser Al Ismaily, Chairman, Public Authority for Investment Promotion and Exports Development (PAIPED), Oman





01: Robert Menendez, Senator from New Jersey (Democrat), USA
02: Munib R. Masri, Chairman, Palestine Development & Investment Ltd - PADICO HOLDING, Palestinian Territories
03: Amr Moussa, Secretary-General of the League of Arab States (2001-2011); Francis Maude, Minister for the Cabinet Office of the United Kingdom
04: Mahmoud Abbas, Palestinian President; Klaus Schwab, Founder and Executive Chairman, World Economic Forum





01: Wafa Ben Hassine, Founder and Executive Director, LEAD Tunisia (Legal Education Advancement and Development), USA, Global Shaper
02: Mehmet Simsek, Minister of Finance of Turkey
03: Maya Raydan, Business Editor, Sky News Arabia FZ-LLC, United Arab Emirates
04: Ahmad El Zubi, Director, Research and Studies, Jordan Investment Board, Jordan; Global Shaper; Mohamed El Dahshan, Senior Research Fellow, Center for International Development, Harvard University, USA; Global Shaper



01



02



03



04





01: Abdullah Abdulkarim Hamdan Ensour, Prime Minister of the Hashemite Kingdom of Jordan; Klaus Schwab, Founder and Executive Chairman, World Economic Forum; H.M. Queen Rania Al Abdullah, Queen of the Hashemite Kingdom of Jordan; H.M. King Abdullah II Ibn Al Hussein, King of the Hashemite Kingdom of Jordan
02: Global Shapers



Acknowledgements

The World Economic Forum wishes to recognize the support of the following companies as Partners and Supporters of the 2013 World Economic Forum on the Middle East and North Africa.

Strategic Partners

ABB
Adecco Group
Aetna
Agility
ArcelorMittal
AUDI AG
Bahrain Economic Development Board
Bain & Company
Bank of America
Booz & Company
CA Technologies
The Coca-Cola Company
DuPont
Hanwha Group
Heidrick & Struggles
HSBC
IHS
Intel Corporation
JPMorgan Chase & Co.
Kudelski Group
ManpowerGroup
Marsh & McLennan Companies (MMC)
Morgan Stanley
National Bank of Kuwait
The Olayan Group
Omnicom Group
Publicis Groupe
Roland Berger Strategy Consultants
Royal Philips Electronics
Saudi Aramco
Saudi Basic Industries Corporation (SABIC)
SK Group
Takeda Pharmaceutical
UBS
VimpelCom
Zurich Insurance Group

Regional Partners

Al Dabbagh Group Holding
Arab Bank
EastOne Group
Group DF

Regional Associates

Abu Dhabi National Energy Company PJSC (TAQA)
Al Dahra Agriculture
Alghanim Industries
Alshaya Group
Averda
Burgan Bank
Crescent Petroleum
Dana Gas
Habboush Group
Hikma Pharmaceuticals
Majid Al Futtaim Holding
Ooredoo
Palestine Telecommunications Company (Paltel Group)
PPF Group
Saudi Telecom Group
TaherInvest
Tamer Group

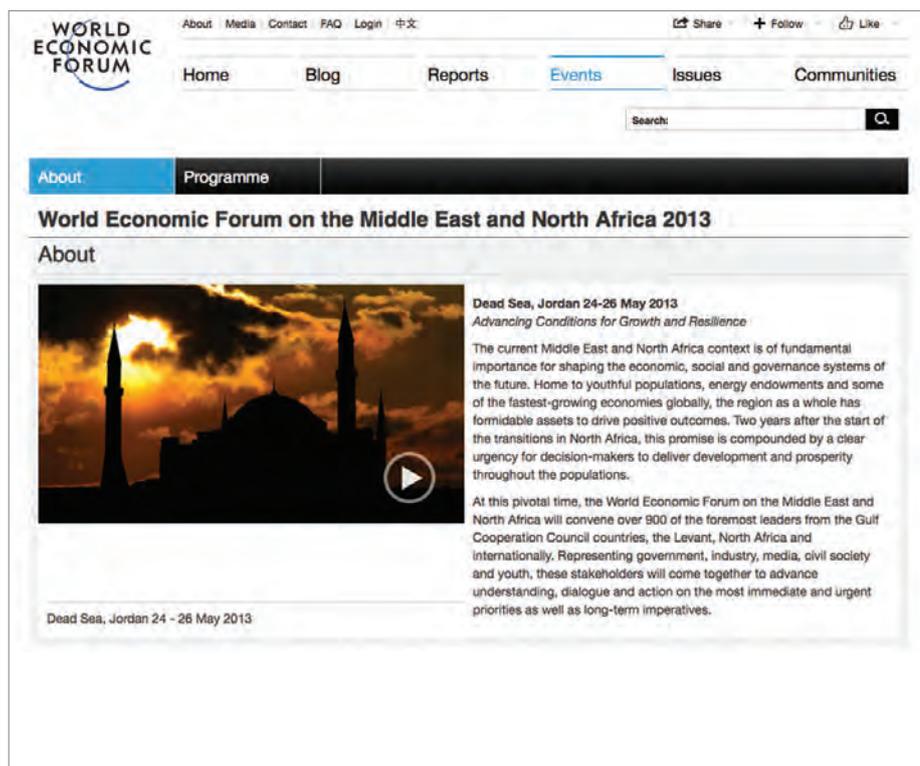
Host Broadcaster

Jordan Radio and Television Corporation (JRTV)

Official Carrier

Royal Jordanian Airlines

Further Information



The event page of the World Economic Forum on the Middle East and North Africa provides access to a richer level of content from the meeting, including videos, photographs, session summaries, insight reports and webcasts of selected sessions.

<http://www.weforum.org/mena2013>



This report is also available to download in PDF or HTML format:

<http://www.weforum.org/mena2013/report/pdf>

<http://www.weforum.org/mena2013/report/html>

Contributors

Miroslav Dusek, Director, Head of Middle East and North Africa, World Economic Forum

Hala Hanna, Global Leadership Fellow, Middle East and North Africa, World Economic Forum

The report was written by Nicholas van Praag, Dianna Rienstra and David Watkiss. The Forum would also like to thank the summary writers for their work at the World Economic Forum on the Middle East and North Africa: Nicholas Noe and Victor Willi.

Editing and Production

Ann Brady, Associate Director, Head of Editing, World Economic Forum
Kamal Kimaoui, Director, Head of Production and Design, World Economic Forum

Floris Landi, Senior Associate, Graphic Designer, World Economic Forum
Mark Schulman, Editor, World Economic Forum USA

Photographers

Benedikt von Loebell
Faruk Pinjo
Jakob Polacsek

Upcoming Meetings

World Economic Forum on East Asia

Nay Pyi Taw, Myanmar 5-7 June 2013

Courageous Transformation for Inclusion and Integration

After a series of bold economic and political reforms in Myanmar, the meeting will be the first leading international gathering of senior decision-makers from industry, government, academia and civil society to be held in the country. As Myanmar assumes the chairmanship of ASEAN in 2014, it will have a critical role in guiding the bloc's 10 member economies towards economic integration in 2015. In this regard, the meeting will provide value to participants from the ASEAN region and to those who see in ASEAN an important evolving geopolitical and geo-economic pillar of the global economy.

For more information, please e-mail: EastAsia@weforum.org

Annual Meeting of the New Champions 2013

Dalian, People's Republic of China 11-13 September

Meeting the Innovation Imperative

The Annual Meeting of the New Champions – known as the “Summer Davos” – is the foremost global business gathering in Asia. The meeting creates an opportunity for exchange between leaders from top-ranked multinationals and chief executive officers of dynamic and fast-growing companies, including key decision-makers from government, media, academia and civil society. It will bring together more than 1,500 participants from 90 countries to share strategies and solutions and discuss global issues and risks.

For more information, please e-mail: NewChampions@weforum.org

Summit on the Global Agenda 2013

Abu Dhabi, United Arab Emirates 18-20 November

The Summit on the Global Agenda brings together the most relevant thought leaders of the Forum's Network of Global Agenda Councils. Comprised of groups of experts from academia, business, civil society, international organizations and government, the Councils advance knowledge and collaboratively explore issues shaping the global, industry and regional agendas. Over 900 Members of the Network will engage in workshops and sessions to provide comprehensive insight and recommendations on some of the most pressing global challenges.

For more information, please e-mail: gacsummit@weforum.org



Global Shapers at the Dead Sea



COMMITTED TO
IMPROVING THE STATE
OF THE WORLD

The World Economic Forum is an independent international organization committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas.

Incorporated as a not-for-profit foundation in 1971 and headquartered in Geneva, Switzerland, the Forum is tied to no political, partisan or national interests.

World Economic Forum
91–93 route de la Capite
CH-1223 Cologny/Geneva
Switzerland

Tel.: +41 (0) 22 869 1212
Fax: +41 (0) 22 786 2744

contact@weforum.org
www.weforum.org