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**Arab Countries in Transition:  
Economic Outlook and Key Challenges**

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|--|-----------|
| <b>I. REGIONAL ECONOMIC OUTLOOK AND KEY CHALLENGES</b>           | <b>3</b>  |
| <b>II. EGYPT</b>   | <b>9</b>  |
| <b>III. JORDAN</b>   | <b>11</b> |
| <b>IV. LIBYA</b>   | <b>13</b> |
| <b>V. MOROCCO</b>  | <b>15</b> |
| <b>VI. TUNISIA</b>   | <b>17</b> |
| <b>VII. YEMEN</b>  | <b>19</b> |
| <b>BOX 1. THE AMMAN CONFERENCE ON JOBS, GROWTH, AND FAIRNESS</b> | <b>6</b>  |

## I. REGIONAL ECONOMIC OUTLOOK AND KEY CHALLENGES

*In spite of deepening and spreading conflicts in the region, as well as, in many cases, a challenging internal socio-political environment, the Arab Countries in Transition (Egypt, Jordan, Libya, Morocco, Tunisia and Yemen) have broadly maintained macroeconomic stability. At the same time, however, their economies are not delivering the growth rates needed for a meaningful reduction in unemployment, in particular for the youth and women. Notwithstanding diversity of conditions, countries should quickly advance structural reforms to foster higher and more inclusive growth, and continue to strengthen fiscal and external buffers to maintain stability amid heightened uncertainty. Coordinated support from the international community will be crucial in the form of financing, improved trade access, and capacity building assistance.*

### A. Background and recent developments

**A challenging regional and domestic setting.** In spite of benign trends in energy and food prices, the Arab Countries in Transition (ACT) economies are facing a worsening environment.

- **Deepening and spreading conflicts.** The violence from the Syrian civil war, now in its fourth year, has spread to Iraq, a new conflict has erupted in Gaza, and Libya has been drawn deeper into a violent struggle among competing groups. As a result, the region has to cope with over 11 million displaced people, according to the U.N., many of whom seek a safe haven in neighboring countries. Consequences for budgets, labor markets, and (including via rising prices and pressures in the informal economy) social cohesion and security are particularly pronounced in Lebanon and Jordan, but Tunisia is also affected by spillovers from the conflict in Libya.
- **Difficult socio-political environment.** The governments in Jordan and Morocco now have multi-year horizons, and Egypt and Tunisia will conclude parliamentary elections in 2014-15. At the same time, political uncertainty is high, particularly in Libya and Yemen, and investor confidence in the region remains low. ACT governments face challenges in achieving the necessary buy-in from their populations to move forward with politically sensitive but economically important reforms.

**Macroeconomic stability broadly maintained.** Amid this challenging environment, and notwithstanding diversity of experiences across countries, the ACTs (excluding Libya) have maintained macroeconomic stability: growth has remained positive; inflation is firmly in single digits, except for Egypt; and budget deficits in most countries have begun to decline in 2014. External current account deficits are also gradually narrowing and reserve buffers have strengthened.

**Slow and uneven progress with structural reforms.** Most ACTs have by now either started or announced ambitious reforms of generalized energy subsidies and other current expenditures to create space for better targeted social protection for the poor, and higher spending on infrastructure, healthcare, and education. These are important first steps in implementing the medium-term growth agenda. However, progress has been uneven across countries, and reforms of tax policy, civil service, and public financial management remain quite slow. More attention is also

needed in other areas, including banking and financial sectors, governance, business climate, and labor markets.

## B. Short-term outlook

**Modest economic recovery overshadowed by high unemployment.** With the private sector and foreign investors still on the sidelines and with structural reforms yet to make decisive progress in supporting the supply response of the economies, growth in the ACTs (excluding Libya) is likely to be limited to 2½ percent in 2014 and 3-4 percent in 2015. In most countries, weak domestic demand and favorable commodity prices are expected to keep inflation relatively stable and, for most countries, in the single digits; and should support a narrowing of current account deficits. On the other hand, slow growth will likely cause public debt ratios and debt service obligations to rise from already high levels and financing needs will remain elevated. Most importantly, the projected growth performance remains far below the sustained 6 to 7 percent rates needed to achieve a meaningful reduction in unemployment and improved living conditions for the broader populations.<sup>1</sup>

**Risks tilted to the downside.** Conflicts in the region and their potential spillovers are the most important downside risk to the outlook. Apart from reduced space for difficult reforms due to difficult political environment, a spike in oil prices and continued massive inflows of refugees would have a strong negative impact. Further disruption of trade flows or a generalized loss of confidence vis-à-vis the Middle East and North Africa could play a role as well. In addition, weaker-than-expected global—in particular European—growth could affect the projected recovery of tourism, exports and foreign investment especially for the Maghreb countries. The ACTs should be less affected by a normalization of interest rates in the United States, given their limited exposure to international financial markets.

## C. Short-term policy issues

**Consolidating macroeconomic stability.** To increase resilience in a challenging environment, the ACTs need to focus on two policy areas:

- **Fiscal consolidation.** To further strengthen fiscal positions and, over time, reduce often large debt burdens, countries should continue with subsidy and safety nets reforms; intensify revenue reforms to raise tax takes and increase fairness through broadening tax bases and enhancing collection efforts while minimizing effects on consumption; and improve public financial management.
- **External sector.** To increase resilience in external sectors, particularly in cases with high current account deficits, countries could allow more exchange rate flexibility while improving monetary transmission mechanism through expansion of interbank markets. Tighter monetary policies would be needed in case upside inflationary risks emerge.

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<sup>1</sup> See “*Toward New Horizons: Arab Economic Transformation amid Political Transitions*,” International Monetary Fund, 2014.

**Escaping the unemployment trap.** With private investors still largely on the sidelines, restoring confidence and reviving private sector-led job creation will take some time. One way to make much-needed gains in employment in the short term would entail more externally financed public investment in infrastructure and basic services.<sup>2</sup> This approach would also provide space for deeper structural reforms. Implementing this agenda would require substantial donor support, credible commitments to reforms by the authorities, adequate project-execution capabilities, and significant capacity building assistance. Furthermore, efforts to maintain debt and fiscal sustainability would need to continue in the medium term.

#### D. Medium-term challenges

**The inclusive growth imperative.** Sustainably higher and more inclusive growth is necessary for a durable solution to important root causes of the inequities and social tensions that culminated in the Arab Spring: high unemployment and unequal economic opportunities, particularly among the youth and women; a significant rural-urban divide in the level of access to water and other basic services; and a notable disadvantage for small businesses in access to credit and procurement contracts.

**Key elements of the inclusive growth agenda.** To address these challenges, and as highlighted at the recent Amman Conference (Box 1), the ACTs could focus on reforms in several areas with priorities set in response to the specific context of each country.

- **Enhance spending quality and increase fairness in fiscal policy.** As already discussed in Section C, ACTs should continue with subsidy reforms and strengthen their safety nets. They should also increase efforts to reorient spending to infrastructure projects that can help decrease disparities across regions, implement revenue measures to strengthen tax takes while leveling the playing field for small businesses, and improve public financial management.
- **Strengthen the business climate.** More efficient business registration processes and better competition policies can help to boost firm creation. Better insolvency regimes can make entrepreneurship a less risky undertaking, and better credit information systems, collateral regimes, and corporate disclosure requirements can improve access to finance in particular for small- and medium-sized firms, which are important for job creation but are typically not served by banking sectors.
- **Improve education, training, and labor market policies.** Countries should focus on: (i) facilitate youth employment by implementing education and vocational training reforms, to be undertaken in collaboration with prospective employers, aimed at building skills that are needed by the private sector; (ii) increasing incentives for private sector employment relative to public sector jobs; (iii) developing targeted measures for women such as greater

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<sup>2</sup> Detailed analysis of such an agenda was laid out in a separate report discussed at a meeting of senior officials and circulated to the Deauville Partners in December 2013. It suggests that an additional investment of a cumulative five percent of GDP over a five-year horizon could create between 0.4 and 0.8 million permanent jobs across the ACTs.

access to child-care and parental leave; and (iv) strengthening incentives for firms in the informal economy to enter the formal sector. In addition, labor market regulations should be reviewed (especially to reduce disincentives for hiring) and better enforced.

### **Box 1. The Amman Conference on Jobs, Growth, and Fairness**

During May 11-12, 2014 the IMF—jointly with the Arab Fund for Economic and Social Development and the Government of Jordan—hosted the conference “Building the Future: Jobs, Growth, and Fairness in the Arab World” in Amman, Jordan. Nearly 300 senior policymakers, private sector representatives, civil society, academics, media and IFI representatives gathered to discuss the main elements of an economic vision for the region. While each country faces its own unique challenges, participants acknowledged that a common policy priority across the region is to boost employment. To this end, participants debated policies in four main areas:

- **Macroeconomic policies.** The top priority, according to the audience, was a strong and shared vision in each country to guide the economic future. Improving the composition of government spending to achieve more fairness, more efficiency, and ultimately more inclusive growth was also seen as important.
- **Promoting Good governance.** Transparency and governance are areas where the region has to improve significantly. Participants urged governments to establish more accountability vis-à-vis their citizens and strengthen the judicial system. This would also build credibility around their economic agendas and help attract investors.
- **Job creation.** Panelists observed that creating more jobs for the youth and women is of paramount importance and would require a comprehensive reform approach. Key elements include the need to change the perception of the state as chief employer, creating education systems that lead to productive employment, and designing labor market regulations that protect workers without unduly constraining employers.
- **Improving the business climate.** Participants emphasized the need to move away from a system of privileged access to a system of competition. There was strong support for streamlining red tape for setting up firms, improving access to credit, and putting in place insolvency frameworks that are less punitive.

The Fund is now in a dialogue with authorities across the region to translate this agenda into *policy recommendations tailored* to the context of each country.

See also <http://www.imf.org/external/np/seminars/eng/2014/act/index.htm>.

- **Increase transparency and better governance.** Economies need to be opened up by improved transparency and governance in both the public and the private sectors. Most ACTs are already making early efforts to strengthen public financial management and increase budget transparency. These efforts need to be maintained and intensified. In

addition, countries could consider making more use of online solutions for public services to minimize the scope for corruption and to enhance the efficiency of service delivery; and invest in strengthening enforcement to improve the efficiency and fairness of regulations to create a level playing field for firms and individuals.

### E. Role of the international community

**Vital role for external support.** The ACTs' external partners should continue to support the economic transformations of the ACTs through actions in the following areas:

- **Scaling-up external financial support.** External official disbursements since the onset of the Arab Spring (totaling around US\$80 billion) have covered only a part of the transition countries' financing gaps, notwithstanding significant contributions from the Gulf Cooperation Council (GCC) countries. Going forward, larger and more predictable financial support will be critical for smoother—and hence more socially acceptable—fiscal consolidation and increased public spending on infrastructure and basic services to support growth. It is also important to note that the conflicts in the region, particularly if they spread further or intensify, could lead to additional financing needs beyond what is currently projected in the Text Table.
- **Facilitation of trade and FDI.** Further progress with agreements to promote trade, harmonization of trade regulations convergence, and FDI will be needed to help build market-based recoveries and sustained growth for the ACTs. Progress in this area could provide a strong anchor for public confidence in the long-term sustainability of the economic transformations.
- **Capacity building assistance.** The reform process in the ACTs suggests a number of potential areas for further technical assistance and capacity building, including in support of reforms of public finance management, social safety nets, civil service, financial sectors (to improve access to finance for small- and- medium-scale enterprises), tax and customs policy and administrations, pensions, education and other social sector policies. In this regard, the Deauville Partnership's Transition Fund has so far helped with 53 projects with a total volume of US\$171.8 million as of September 2014.

**IMF Engagement.** Since the start of the Arab Spring, the Fund has approved a total of US\$ 4.4 billion in disbursing programs for Jordan, Tunisia, and Yemen, and supports Morocco since July 2014 with a new Precautionary and Liquidity Line of US\$ 5 billion. We stand ready to engage in program discussions with Egypt should the authorities request such support. In addition, the Fund is helping move forward the policy agenda and outreach in support of the ACTs' reforms—most prominently this year with the Amman Conference and the associated paper on the reform agenda. Finally, we have continued to

Arab Countries in Transition: Financing Needs<sup>1</sup>  
(Billions of U.S. dollars)

|  |             |             | Est.        | Projections |             |
|--|-------------|-------------|-------------|-------------|-------------|
|  | 2011        | 2012        | 2013        | 2014        | 2015        |
| Current account deficit (excl. official transfers) | 26.1        | 33.4        | 28.4        | 34.0        | 33.0        |
| External amortization                              | 14.3        | 14.3        | 15.5        | 21.5        | 34.4        |
| <b>External gross financing needs<sup>2</sup></b>  | <b>40.3</b> | <b>47.7</b> | <b>43.9</b> | <b>55.5</b> | <b>67.4</b> |
| Budget deficit (excl. grants)                      | 37.1        | 47.0        | 56.2        | 61.6        | 57.6        |
| Public external amortization                       | 5.4         | 5.3         | 5.5         | 6.2         | 9.4         |
| <b>Fiscal financing needs<sup>3</sup></b>          | <b>42.5</b> | <b>52.3</b> | <b>61.7</b> | <b>67.8</b> | <b>66.9</b> |

Sources: National authorities; and IMF staff calculations.

<sup>1</sup>Comprises: Egypt, Jordan, Morocco, Tunisia, and Yemen. Libya does not face financing needs.

<sup>2</sup>Current account deficit, excluding grants, plus amortization.

<sup>3</sup>Budget deficit, excluding official grants, plus public external amortization.

respond to capacity development needs, including through the program pursued by the IMF-Middle East Regional Technical Assistance Center and our joint training institute in Kuwait. In addition to ongoing advice through regular consultations, notwithstanding security issues in some countries, we have undertaken about 30 technical assistance missions and provided training to more than 400 participants from the ACTs in various courses so far in 2014.

## II. EGYPT

*Egypt's economic prospects have improved significantly during the last year as the security situation has stabilized and the authorities have taken the crucial first steps toward fiscal sustainability. The task now is to put Egypt on a path to high growth and job creation. This will entail implementing further fiscal measures over time to ensure a continued gradual fiscal consolidation in the medium term, taking steps to contain external vulnerabilities, and deepening structural reforms. Adequate external financing will be important to help Egypt get through a difficult transition period.*

**Background.** The political transition has advanced broadly as planned, following the adoption in January 2014 of a new constitution and the election in May 2014 of a new president. Parliamentary elections are expected to take place by the end of the year. Despite some security incidents, the social and political environment has improved. There seems to be a consensus around reforms, evidenced by public acceptance of the recent cuts in energy subsidies. The successful issuance of the domestic currency equivalent of US\$8.5 billion in Suez Canal investment certificates shows renewed domestic confidence in economic prospects.

**Recent developments.** Real GDP growth was about 2 percent in 2013/14, held back by the effects of the political transition on tourism and manufacturing sectors. As a result, the unemployment rate increased to 13.4 percent. After initially receding during H1 2014 to 8.2 percent, inflation rose to above 11.5 percent in August 2014 due to cuts in energy subsidies, prompting a 100 bps raise in the CBE policy rate. The budget sector deficit in 2013/14 declined to 11.9 percent of GDP on the back of unprecedented level of grants (4.3 percent of GDP) from the GCC countries. However, the underlying fiscal position (excluding grants) worsened to over 16 percent of GDP and public debt has increased to over 90 percent of GDP. In a context of the still large energy subsidies (about 6½ percent of GDP) and fuel shortages, electricity outages have become more frequent. Substantial financial disbursements and in-kind grants (oil shipments) from Kuwait, Saudi Arabia, and UAE have helped to stabilize international reserves, although at a low level—just below three months of imports.

**Outlook.** At the beginning of fiscal year 2014/15, the government took several bold measures, including the increase of most energy prices (except LPG) by 30 to 150 percent, and increases in some tax rates. These are a

major step forward, and authorities have announced further measures to reduce the fiscal deficit over the medium term, including eliminating most subsidies over the next five years (except LPG). Inflation is projected to rise further in the short term, reflecting the second-round effects of the recent energy price increases and continued demand pressures stemming from the fiscal deficit.

Egypt: Selected Economic Indicators, 2010/11 - 2014/15  
(Percent of GDP, unless otherwise indicated)

|  | 2010/11 | 2011/12 | 2012/13 | Est.<br>2013/14 | Proj.<br>2014/15 |
|--|---------|---------|---------|-----------------|------------------|
| GDP growth, percent  | 1.8     | 2.2     | 2.1     | 2.2             | 3.5              |
| CPI inflation, period average, percent                             | 11.1    | 8.6     | 6.9     | 10.1            | 13.5             |
| Budget sector balance  | -9.8    | -10.6   | -13.7   | -11.9           | -10.8            |
| Current account balance, excl. grants                              | -2.9    | -4.1    | -3.0    | -5.1            | -5.0             |
| Fiscal financing needs, (excl. grants), US\$ billion <sup>1</sup>  | 25.4    | 31.2    | 39.9    | 48.4            | 43.3             |
| External financing needs (excl. grants), US\$ billion <sup>2</sup> | 11.9    | 15.6    | 13.4    | 24.1            | 29.8             |
| Public debt  | 76.6    | 78.9    | 89.2    | 93.8            | 94.5             |
| External debt  | 14.8    | 14.9    | 16.0    | 18.4            | 18.7             |
| International reserves, months of imports                          | 4.7     | 2.7     | 2.5     | 2.7             | 2.9              |

Sources: National authorities; and IMF staff calculations.

<sup>1</sup>Budget sector deficit, excluding official grants, plus public external amortization.

<sup>2</sup>Current account deficit, excluding grants, plus amortization.

Financing needs are expected to remain large due to a continued current account deficit and scheduled debt repayments, despite expected improvements in tourism and FDI.

**Risks.** The main downside risks are domestic, and stem from possible setbacks in the political transition which could delay the recovery of FDI and tourism. Higher international food and energy prices would place an additional burden on the budget and worsen the external position. Also, taking on new contingent liabilities (for example, in the context of large investment projects) could undermine fiscal consolidation efforts. Delay in tackling the energy crisis could significantly dampen growth prospects. However, there are also good prospects for better-than-expected outcomes. Continuing with fiscal reforms and reducing administrative barriers to investment would restore business confidence and accelerate the return of private investors.

**Short-term policy issues.** Beyond the initial fiscal measures, the authorities have announced plans for further energy subsidy and VAT reforms in addition to the implementation of an amended real estate tax law and a new mining law. These fiscal measures are expected to be placed in a transparent medium-term fiscal framework that will anchor expectations and support sustainability. On the external side, preserving reserves and supporting competitiveness will be important. The authorities remain committed to the proper functioning of the foreign exchange market and intend to remove the remaining restrictions in the foreign exchange market. Resolving the arrears to international oil companies and tackling impediments to FDI would help to address the mismatch between energy consumption and production.

**Reforms for inclusive growth.** Growth has now been low for several years, and the unemployment rate increased to 13.4 percent in 2013/14 from 9.2 percent in 2009/10. Unemployment is particularly high among women and the youth. The poverty rate increased from 21.6 percent in 2008/09 to 26.3 percent in 2012/13, and there are wide disparities between rural and urban governorates. Access to basic infrastructure and services has deteriorated, affecting education and health outcomes as evidenced, for example, by the reversal in the infant mortality trends since 2009 and the high illiteracy rate (26 percent). Financial inclusion is still at an early stage with underdeveloped microfinance and a low banking rate (only 11 percent of the adult population having a deposit at a financial institution). Many measures undertaken recently will help foster higher and more inclusive growth, including the reduction in energy subsidies, investment in infrastructure, especially schools and hospitals, and the enactment of regulations to support mobile payments. The new constitution has enshrined the role of education and health in social and economic development, by mandating the increase of public spending on these sectors to international levels. Promoting the private sector would contribute to broad-based growth. This would require improving the business climate and restoring competitiveness, streamlining burdensome regulations, improving access to finance, and modernizing insolvency and land laws. Increasing investment in human capital and infrastructure would help boost economic activity and provide more equal access to job and business opportunities for all.

### III. JORDAN

*Jordan's external environment has become more difficult, but the economy has been resilient. The authorities continue to implement their national reform program to correct domestic and external imbalances, and the emphasis now needs to move to reforms supporting higher and more inclusive growth. The third and fourth reviews under Jordan's program with the IMF, supported by a Stand-By Arrangement, were completed in April 2014; discussions on the fifth and sixth reviews are ongoing.*

**Background.** Jordan experienced robust growth during 2000–09 (averaging about 6½ percent). It is among the most open economies in the Middle East; tourism receipts, remittances, FDI flows, and external grants play an important role. Jordan imports most of the hydrocarbon products and grains that it needs. Political reform has been gradually progressing, with parliament now playing a more visible role.

**Recent developments.** Despite an increasingly difficult regional environment, including the conflicts in Syria and Iraq, the macroeconomic situation has remained largely stable. Economic activity is slowly gaining momentum, with growth registering 3.2 percent year-on-year in 2014-Q1. Headline inflation moderated owing to a slowdown in food prices, but core inflation continued to rise, to 5.1 percent in August, partly reflecting administrative measures. At the same time, gas inflows from Egypt continued to be repeatedly and severely disrupted, putting pressure on the external current account and increasing the losses of the electricity company NEPCO. Nonetheless, the authorities' IMF-supported program has stayed broadly on track owing to tight management of the central government budget. Against the backdrop of sluggish credit growth—6.3 percent in June—and a strong reserve position, the Central Bank of Jordan reduced its policy rate by 50 basis points in June to 2.75 percent. Net international reserves continued to over-perform, bolstered by the issuance of a 5-year U.S.-guaranteed Eurobond of US\$1 billion in June and significant increase of travel receipts and workers' remittances.

Jordan: Selected Economic Indicators, 2011 - 2015  
(Percent of GDP, unless otherwise indicated)

|  | Est.  |       |       | Projections |       |
|--|-------|-------|-------|-------------|-------|
|  | 2011  | 2012  | 2013  | 2014        | 2015  |
| GDP growth, percent  | 2.6   | 2.7   | 2.9   | 3.5         | 4.0   |
| CPI inflation, period average, percent                             | 4.4   | 4.6   | 5.6   | 3.0         | 2.6   |
| General government balance, excl. grants <sup>1</sup>              | -11.7 | -10.4 | -13.7 | -15.6       | -9.0  |
| Current account balance, excl. grants                              | -19.0 | -20.2 | -16.5 | -14.2       | -10.7 |
| Fiscal financing needs, (excl. grants), US\$ billion <sup>2</sup>  | 3.8   | 3.7   | 5.2   | 6.6         | 5.1   |
| External financing needs (excl. grants), US\$ billion <sup>3</sup> | 6.0   | 6.8   | 6.1   | 6.1         | 5.8   |
| Public debt  | 70.7  | 80.2  | 85.8  | 90.0        | 91.1  |
| External debt  | 21.9  | 23.6  | 26.4  | 30.0        | 30.0  |
| Reserves in months of imports                                      | 5.9   | 3.6   | 5.1   | 5.8         | 6.1   |

Sources: National authorities; and IMF staff calculations.

<sup>1</sup>Starting in 2013, the government balance includes direct transfers to NEPCO.

<sup>2</sup>Budget deficit, excluding official grants, plus public external amortization.

<sup>3</sup>Current account deficit, excluding grants, plus amortization.

**Short-term outlook.** Growth is expected to pick up to about 3½ percent this year—but could turn out to be somewhat lower if exports to Iraq take a hit in 2014-Q3—and to 4 percent in 2015, supported by continued public investments. Inflation is expected to decline to about 3 percent by end-2014. The external current account and central government budget deficits (excluding grants) are projected to narrow in 2014-15 helped by lower international oil and food prices as well as expenditure reform and the implementation of revenue-generating measures. Shortfalls in Egypt gas are expected to be covered by non-debt creating financing (higher grants and privatization receipts).

**Risks.** The most prominent risks are regional, and relate to (1) disruptions of gas flows from Egypt, which would hurt the current and fiscal accounts; (2) further escalation of the Syria conflict, which

could lead to more refugees, straining further Jordan's limited resources; and (3) protracted crisis in Iraq, with negative implications for Jordan's exports and transit trade. The realization of any of these risks could also weaken confidence and affect on external flows of foreign investment. Other risks include higher U.S. interest rates and a slowdown in emerging markets.

**Short-term policy issues.** While the program will continue to be flexible, room for slowing the adjustment is limited in light of high and increasing debt and limited financing options. Thus, steadfast implementation of the planned reforms is critical to keep the fiscal and external balances on a sustainable path. Fiscal consolidation would put public debt on a downward path starting in 2016; it should continue to focus on achieving an equitable distribution of the burden of adjustment and protecting the most vulnerable. Adjustment in 2014 relies largely on non-tax revenue measures and cuts in non-priority current expenditures. In 2015, the envisaged measures include a progressive income tax reform as well as improvements in tax administration and public financial management. On the energy front, implementing the strategy to return NEPCO to cost recovery will be crucial. To safeguard reserve buffers, monetary policy will remain focused on maintaining the attractiveness of the Jordanian dinar. Looking forward, Jordan cannot alone shoulder the burden of a difficult regional environment; additional grants would help to safeguard the country against risks.

**Reforms for inclusive growth.** The key obstacles to inclusive growth relate to weaknesses in the business environment, labor markets, and institutions. For example, Jordan's scores on business climate indicators are low, particularly on investor protection, contract enforcement, and access to finance. Unemployment is chronically high, particularly among the youth, and female's labor force participation is low even relative to the regional average. And Jordan's ranking on the perception of corruption has deteriorated relative to other countries over the past decade. The authorities are taking steps to address these weaknesses. They have passed several laws to improve the business climate—including the laws on investment and Public-Private Partnerships—and have taken steps to improve access to finance, including through mobilizing donor support for SME finance; drafting a secured lending and insolvency laws currently under consideration with parliament; and working towards the licensing of a credit bureau. At the same time, the authorities established a committee to monitor the implementation of an ambitious agenda for governance reforms; they also devised a National Employment Strategy (NES) aimed at addressing labor market challenges. Going forward, Jordan needs to accelerate its structural reform agenda. This includes (1) transforming the NES into an action plan with a concrete timeline and specific measures; (2) expediting the approval of pending legislation to create a more level-playing field for investors; (3) prioritizing public investment toward maximizing its impact on growth and unemployment; and (4) working on making tangible progress toward transparency and accountability.

#### IV. LIBYA

*Recent events bring Libya a step closer to fragmentation, with serious consequences for the economy and public finances. Large fiscal and current account deficits could deplete official reserves as the various factions compete to control them. Reinforcing central bank independence and establishing a transparent and accountable mechanism for managing Libya's resources is an immediate priority. Reducing the large fiscal pressures requires restraining current spending, including through streamlining general subsidies and putting a lid on public sector employment. Along with structural reforms and institution building, these measures are necessary to create space for investment in broad growth. The Fund's ability to provide policy advice and capacity building has been very much curtailed by the security situation in Libya.*

**Background.** The eleven-month long blockade of Libya's oil facilities by federalist and tribal militias brought the country's oil output to stop, depressing GDP by an estimated 14 percent in 2013 and a projected 20 percent in 2014. Prices remained largely unaffected due to predominance of imports in the consumer basket. The

large fiscal and trade balances of 2012 turned into deficits. The government is expected to post a deficit in excess of 50 percent of GDP in 2014 with the current account deficit exceeding 27 percent of GDP. The twin deficits will take a toll on official reserves which are expected to decline by 22 percent to 34 months of imports by the end of 2014.

Broad money and credit growth have remained subdued through 2014 at 4 and 1 percent of GDP, respectively, in line with the slowdown in government spending and overall economic activity.

**Recent developments.** Clashes between rival militias over the summer of 2014 cost hundreds of lives and displaced over 250,000 Libyans. The fall of Tripoli to militias, and the move of the elected parliament to Tubruq has left the country with two competing authorities. The fighting has caused widespread damage to public and private property, and infrastructure and precipitated power, water, fuel and food shortages in Tripoli. Insecurity and lawlessness are hampering the delivery of cash to commercial banks across the country, further undermining economic activity. Outside the largest cities most affected by the fighting, the situation is marginally better. The lifting of the year-long blockade of oil facilities by federalist militias has allowed oil production to rise to a reported 840,000 barrels per day from a low of 240,000 barrels per day in June. Exports resumed from most terminals.

**Short-term outlook.** Should oil output remain at the current level, growth in 2015 could exceed 15 percent reducing the fiscal deficit to 30 percent of GDP and slowing the decline of official reserves. Government spending is also expected to decline due to security constraints as it is likely to be

Libya: Selected Economic Indicators, 2011 - 2015  
(Percent of GDP, unless otherwise indicated)

|  | 2011  | 2012  | Est.  | Projections |       |
|--|-------|-------|-------|-------------|-------|
|  |       |       | 2013  | 2014        | 2015  |
| GDP growth, percent  | -62.1 | 104.5 | -13.6 | -19.8       | 15.0  |
| CPI inflation, period average, percent                             | 15.9  | 6.1   | 2.6   | 4.8         | 6.3   |
| General government balance, excl. grants                           | -16.1 | 27.8  | -4.0  | -52.1       | -30.2 |
| Current account balance, excl. grants                              | 8.4   | 30.1  | 13.7  | -27.0       | -20.8 |
| Fiscal financing needs, (excl. grants), US\$ billion <sup>1</sup>  | ...   | ...   | ...   | ...         | ...   |
| External financing needs (excl. grants), US\$ billion <sup>2</sup> | ...   | ...   | ...   | ...         | ...   |
| Public debt  | ...   | ...   | ...   | ...         | ...   |
| External debt  | 16.1  | 6.8   | 8.5   | 11.3        | 8.8   |
| Reserves in months of imports of imports                           | 41.1  | 44.2  | 48.3  | 34.3        | 25.8  |

Sources: National authorities; and IMF staff calculations.

<sup>1</sup>Budget deficit, excluding official grants, plus public external amortization.

<sup>2</sup>Current account deficit, excluding grants, plus amortization.

limited to salaries and subsidies. The projected deficit can still be financed by drawing down on government deposits at the central bank which are expected to decline to US\$27 billion by the end of 2014. Inflation, broad money and credit to the economy are expected to remain broadly at their current levels due to the slowdown in government spending and non-oil economic activity.

**Risks.** The worsened security situation places Libya's resources, including official reserves and oil revenues, at a great risk of abuse. The recent recovery of oil output may not be possible to sustain in the context of deteriorating security. A few oil facilities remain at the mercy of un-accountable militias. Efforts to expand production will be hampered by the departure of most international oil company personnel and the reduction of maintenance and capital investment. Should insecurity deteriorate further leading to state failure or fragmentation, the economic consequences will be severe for Libya and its neighbors.

**Short-term policy issues.** The most important priorities are to end the conflict and restore rule of law as well as the unity of the state. Strengthening central bank independence and encouraging the authorities to establish a transparent and accountable mechanism for managing Libya's resources are also key. The continued deterioration of the fiscal outlook adds urgency to the need to contain current spending and improve the quality of the budget process. Public expenditure should be reoriented from wages and subsidies to service delivery and institution strengthening. Improving public finance management, with a focus on enhancing transparency and efficiency of public spending is necessary to restore both fiscal sustainability and trust in government. It is also necessary to continue to build capacity at the central bank to improve the management of public wealth and facilitate the development of the financial sector as a key driver for private-sector led growth.

**Reforms for inclusive growth.** For Libya to move away from total dependency on oil, to a sustainable and inclusive path, it would be necessary to create the conditions for diversified, private-sector led growth. Despite the political and security turmoil, important steps have been made to restrain current spending and create space for investment in infrastructure. A number of important energy and transport projects were completed in 2013 in difficult circumstances. Going forward, efforts should focus on enhancing the business environment, upgrading the skills of the workforce through better education and training, fostering financial intermediation, and investment in physical, regulatory and institutional infrastructure.

## V. MOROCCO

*Morocco's overall economic performance has improved. Economic growth remains robust and inflation remains low. The external current account balance is expected to continue improving after its 2012 deficit peak, as a result of a lower fiscal deficit, improving external demand and the development of new exports sectors. Reserves have increased and the fiscal deficit should further narrow in 2014 as a result of measures taken by the government, including the significant progress made in reforming the system of generalized subsidies. The IMF approved in July 2014 a successor two-year arrangement under its Precautionary and Liquidity Line (PLL), which provides an insurance against external risks to support the authorities' economic reform program.*

**Background.** A new ruling coalition led by the Justice and Development Party (PJD) was formed in late 2013 after the breakdown of the previous coalition, ending a period of uncertainty that had delayed policymaking. Since the formation of the new coalition, the pace of reforms has picked up significantly.

**Recent developments.** In the first quarter of 2014, growth decelerated to 1.7 percent (compared to the same period in 2013) pushed down by a return to normal cereal yields and weak growth in Europe. Nonetheless, some leading indicators point to a possible acceleration of activity as external demand gradually picks up. Inflation remained low at -0.1 percent year-on-year in August 2014 (2.2 percent excluding food) despite the increase in the prices of some subsidized energy products. Unemployment in the second quarter of 2014 increased to 9.3 percent from 8.8 percent in 2013. The authorities are targeting in 2014 a further reduction in the fiscal deficit to 4.9 percent of GDP from 5.5 percent of GDP in 2013. Budget execution through August 2014 remains broadly consistent with this target, although developments will need to be closely monitored as revenues are being affected by the

slowdown in activity. The trade balance has improved through August 2014 compared to the same period last year, driven by a strong performance in newly developed sectors (mainly automobile) and electronics, against a moderate increase in imports. A successor two-year PLL arrangement with the IMF (US\$5.0 billion compared to US\$6.2 billion for the first PLL)

was approved in July 2014. Its lower access-level than the first arrangement reflects lower international risks and signals the strengthening of the economy's resilience during the first PLL. As before, the authorities do not intend to draw upon resources available under the PLL unless Morocco experiences actual balance-of-payments needs resulting from a significant deterioration in external conditions.

Morocco: Selected Economic Indicators, 2011 - 2015  
(Percent of GDP, unless otherwise indicated)

|  |      |       | Est. | Projections |      |
|--|------|-------|------|-------------|------|
|  | 2011 | 2012  | 2013 | 2014        | 2015 |
| GDP growth, percent  | 5.0  | 2.7   | 4.4  | 3.5         | 4.7  |
| CPI inflation, period average, percent                             | 0.9  | 1.3   | 1.9  | 1.1         | 2.0  |
| General government balance, excl. grants                           | -6.9 | -7.4  | -6.2 | -6.3        | -5.4 |
| Current account balance, excl. grants                              | -8.4 | -10.0 | -8.3 | -8.1        | -6.8 |
| Fiscal financing needs, (excl. grants), US\$ billion <sup>1</sup>  | 7.7  | 8.0   | 7.4  | 8.1         | 7.5  |
| External financing needs (excl. grants), US\$ billion <sup>2</sup> | 9.8  | 11.2  | 10.5 | 11.0        | 10.3 |
| Public debt  | 54.4 | 60.4  | 63.9 | 65.5        | 65.7 |
| External debt <sup>3</sup>   | 25.1 | 29.8  | 31.1 | 32.9        | 33.2 |
| Reserves in months of imports                                      | 5.0  | 4.2   | 4.3  | 4.5         | 4.5  |

Sources: National authorities; and IMF staff calculations.

<sup>1</sup>Budget deficit, excluding official grants, plus public external amortization.

<sup>2</sup>Current account deficit, excluding grants, plus amortization.

<sup>3</sup>Includes external publicly guaranteed debt.

**Short-term outlook.** Growth is expected to slow to about 3-3½ percent in 2014, as cereal production returns to normal, but to accelerate in 2015, as growth in Europe picks up, and new industries continue to perform strongly. Inflation is projected to remain low at about 1 percent in 2014. The current account deficit is expected to continue to improve as a result of the reduction in the fiscal deficit, improved external demand, lower global energy prices, and the rapid developments of exports from newly developed sectors.

**Risks.** A protracted period of slower growth in the advanced trading partners, especially in the euro area, could have sizeable spillovers to growth and the balance of payments. Geopolitical risks in the Middle East as well as in Ukraine/Russia could trigger higher oil prices and put pressure on both the current and fiscal accounts. A surge in global financial market volatility, related to the exit from unconventional monetary policies in large advanced economies could hamper Morocco's access to international capital markets and indirectly affect FDI. Pressing social demands in the context of ongoing tensions in the region could slow the pace of reforms.

**Short-term policy issues.** The authorities aim to consolidate recent gains and ensure continued macroeconomic stability by rebuilding fiscal and external buffers while moving ahead with reforms to boost competitiveness, growth and employment. In particular, the authorities' plan for fiscal consolidation strikes an appropriate balance among those objectives and is supported by reforms (tax, subsidy, pension, new organic budget law) that will strengthen the fiscal framework and reduce fiscal risks.

**Reforms for inclusive growth.** Despite enjoying relatively robust growth over the past three decades, employment and labor force participation rates have not increased substantially and remain relatively low compared to other emerging markets. While the unemployment rate declined from more than 13 percent in 2000 to 9 percent in 2013, it remains relatively high and is particularly elevated amongst the youth (19 percent). Poverty has decreased considerably over the past decade thanks in large part to the strong economic growth. Over the period, about 1.7 million people have moved out of poverty and the poverty rate has decreased by more than 40 percent. This said, inequality in access to health services remains high, as does gender inequality. Going forward, the authorities should continue to advance their structural reform agenda including measures to improve competitiveness, achieve higher potential growth and reduce unemployment. Such reforms include measures to improve the business environment, access to finance, governance and the judicial system, and the functioning of the labor market. Initiatives such as the National Initiative for Human Development and education and health programs for the poorest will continue to help improve conditions for the poor and vulnerable groups. In addition, fiscal policies aimed at reducing spending on generalized subsidies will continue to help create space for investment and social spending to reduce income inequality. Furthermore, on the revenue side, tax policies (including the reduction of tax expenditures) could help create more space for social spending and more competitiveness.

## VI. TUNISIA

*The holding of legislative and presidential elections in 2014 is expected to reduce political uncertainty and strengthen investor confidence. However, Tunisia still faces a challenging economic environment, with timid growth, and rising external imbalances that have continued to put pressure on the exchange rate and reserves. Prudent fiscal policy, a tight monetary policy and greater exchange rate flexibility will help reduce higher external and fiscal deficits and anchor inflationary expectations. High youth unemployment and regional disparities represent key challenges for more inclusive growth. Key priorities to address these challenges include improving budget composition, while protecting the most vulnerable, reducing banking sector vulnerabilities, and advancing reforms to improve the business climate. The fourth review under the IMF's Stand-by Arrangement (SBA) was completed in August 2014.*

**Background.** The technocratic government remains determined to maintain economic stability and pursue structural reforms during 2014. Legislative elections scheduled for October 26, and two rounds of presidential elections planned for end-November and end-December are expected to complete the political transition. The five-year economic vision—presented at the September “Invest in Tunisia” conference and supported by a broad spectrum of Tunisia’s political parties and society—will guide the reform agenda, including during the remaining transition period. The challenge for the authorities is to sustain their strong reform commitment during this period in a context marked by unfavorable regional and global economic developments.

**Recent developments.** Weaker oil and gas production slowed growth to 2 percent (y-o-y) in the second quarter of 2014, while inflation remained contained at about 5.6 percent (y-o-y) at end-September. Despite a 10 percent depreciation of the exchange rate since mid-March, the current account deficit continues to widen mostly because of higher energy and food imports. On the fiscal front, under-execution in current and capital outlays and strong revenue collection helped contain the end-June fiscal deficit to 1.7 percent of GDP, 1 percentage point of GDP lower than programmed. The fourth review under Tunisia’s two-year SBA arrangement (US\$1.7 billion) with the IMF was concluded in August 2014.

Tunisia: Selected Economic Indicators, 2011 - 2015<sup>1</sup>  
(Percent of GDP, unless otherwise indicated)

|  | 2011 | 2012 | Est. | Projections |      |
|--|------|------|------|-------------|------|
|  |      |      | 2013 | 2014        | 2015 |
| GDP growth, percent  | -1.9 | 3.7  | 2.3  | 2.4         | 3.0  |
| CPI inflation, period average, percent                             | 3.5  | 5.6  | 6.1  | 5.7         | 5.0  |
| Central government balance, excl. grants                           | -3.5 | -5.7 | -6.2 | -6.4        | -4.6 |
| Current account balance  | -7.4 | -8.2 | -8.3 | -7.9        | -6.3 |
| Fiscal financing needs, (excl. grants), US\$ billion <sup>2</sup>  | 3.0  | 3.8  | 3.9  | 4.1         | 2.9  |
| External financing needs (excl. grants), US\$ billion <sup>3</sup> | 10.7 | 11.1 | 12.0 | 11.9        | 10.0 |
| Public debt  | 44.5 | 44.5 | 44.8 | 51.0        | 55.3 |
| External debt  | 48.0 | 53.8 | 54.0 | 55.4        | 61.2 |
| Reserves in months of imports                                      | 3.4  | 3.9  | 3.4  | 3.6         | 4.3  |

Sources: National authorities; and IMF staff calculations.

<sup>1</sup>Figures may differ from WEO data as they reflect updates by recent missions.

<sup>2</sup>Budget deficit, excluding official grants, plus public external amortization.

<sup>3</sup>Current account deficit, excluding grants, plus amortization.

**Short-term outlook.** Growth is expected to reach 2.4 percent in 2014, driven by some acceleration in manufacturing and services activity. Growth projections for 2015 have been revised down to 3 percent to reflect weaker-than-expected external demand and remaining investor uncertainty.

Inflation is expected to continue on a downward trend, in view of moderating rises in international commodity prices, and a prudent monetary policy. The current account deficit is expected to narrow to around 7.9 percent of GDP for 2014, before declining further to 6.6 percent of GDP in 2015 on account of lower food imports benefitting from a strong agricultural season, reduced energy imports, and a recovery in phosphate and tourism industries. Further fiscal consolidation and greater exchange rate flexibility will also contribute to narrowing the current account deficit, and boost gross official reserves above 4 months import coverage in 2015.

**Risks.** Spillovers from the crisis in Libya— including increased security tensions and refugee inflows— could further undermine economic activity. An upsurge in social unrest ahead of the elections could hinder investment, while delays in forming a post-elections government could weigh on reform implementation and prolong investors’ wait-and-see attitude. A protracted period of slower growth in advanced and emerging market economies—particularly in Europe and other trading partners—or higher commodity prices would further slow economic activity and exacerbate existing imbalances.

**Short-term policy issues.** The most immediate challenge is to maintain macroeconomic stability in a context marked by a difficult domestic and international economic environment. In particular, further fiscal consolidation over the next few months will help reduce financing constraints, and contain external imbalances. The implementation of a tight monetary policy and a more flexible exchange rate policy are also essential to reduce external vulnerabilities, improve Tunisia’s price competitiveness, and rebuild foreign exchange buffers.

**Reforms for Inclusive Growth.** High unemployment—particularly among the youth (31.4 percent unemployment rate as of March 2014, with a significant 40.8 percent rate for women), low female labor force participation (27 percent vs. 75 percent for men), and social and economic disparities across regions are the key challenges for generating inclusive growth in Tunisia. Important steps have been taken to address these challenges, such as : (i) improving the composition of the budget by controlling the wage bill and reducing energy subsidies while introducing a household support program to protect the most vulnerable and creating space for higher capital and social spending; (ii) initiating banking reforms—including through public bank restructuring and improved regulatory framework— which will contribute to deepen financial intermediation and increase access to finance; and (iii) halving the on-shore / off-shore corporate tax difference, hence creating a more level playing field for investors. Additional, reforms should focus on: (i) a more transparent and competitive business climate through a revamped investment code, strengthening the bankruptcy framework, and trade facilitation measures; (ii) strengthening public investment execution; (iii) better-targeted social safety nets to protect the most vulnerable; (iv) tax policy and administration reforms to improve equity and raise transparency; (v) enhancing the functioning of the labor market; and (vi) improving the governance of public enterprises. This agenda offers opportunities to deepen technical assistance, including in the areas of banking, revenue administration, public financial management and expenditure policy.

## VII. YEMEN

*Difficult negotiations on the political and security fronts weighed on recent developments. Strong support by the Friends of Yemen, especially Saudi Arabia, and an increase in domestic fuel prices ahead of schedule helped preserve macroeconomic stability. Yemen faces substantial economic and social challenges requiring perseverance in reform implementation, and technical and financial donor assistance to support reforms and help finance the government budget, thereby reducing opposition to reforms and mitigating their adverse impact on the poor. Delays in reform implementation, shortfalls in donor support, and sabotage of oil and electricity facilities could pose serious risks. The IMF approved on September 2 an Extended Credit Facility (ECF) arrangement in support of Yemen's economic program, which aims at reducing the large fiscal deficit to preserve macroeconomic stability and at reorienting fiscal policy to pro-growth pro-poor spending by reducing subsidies and increasing social transfers and infrastructure investment.*

**Background.** Fighting in Sanaa has stopped after reaching an agreement with the Houthis on September 21, although some uncertainty remains regarding implementation of the security annex of the agreement. Notwithstanding a partial reversal in fuel price increases, the reduction in untargeted subsidies remains substantial. The rest of the economic content of the agreement is broadly in line with the program. On the broader political agenda, the national dialogue concluded in early 2014 with an agreement to establish a six-region federal state. Parliamentary and presidential elections have been postponed to 2015 to allow time for completing the transition. A new constitution which is being drafted will define the role of the regional governments in the new federal system.

**Recent developments.** The macroeconomic situation was relatively stable in 2013 before weakening in the first half of 2014.

Growth in 2013 recovered to about 4.8 percent—helped by a rebound in oil production. Inflation edged up slightly to 11 percent, while the exchange rate remained stable. The fiscal and current account deficits increased only slightly despite a large decline in grants. Accordingly, the underlying fiscal deficit—nonhydrocarbon primary deficit excluding grants—narrowed substantially, reflecting a forced fiscal adjustment triggered by lack of financing and the determination of the authorities not to resort to borrowing from the central bank. Monetary policy remained prudent. Macroeconomic balances worsened in early 2014 due to a wave of sabotage activities, leading to serious pressures on the fiscal and external sectors and disruption to economic activity, with GDP growth slowing down to about 1.9 percent in 2014.

**Short-term outlook.** The outlook largely depends on the political and security situation, and the government's ability to implement reforms. Gradual recovery of economic activity, projected for the second half of 2014, is expected to continue into 2015 and the medium term. The fiscal and

Yemen: Selected Economic Indicators, 2011 - 2015<sup>1</sup>  
(Percent of GDP, unless otherwise indicated)

|  |       |       | Est. | Projections |      |
|--|-------|-------|------|-------------|------|
|  | 2011  | 2012  | 2013 | 2014        | 2015 |
| GDP growth, percent  | -12.7 | 2.4   | 4.8  | 1.9         | 4.6  |
| CPI inflation, period average, percent                             | 19.5  | 9.9   | 11.0 | 9.0         | 11.4 |
| General government balance, excl. grants                           | -5.7  | -12.4 | -7.8 | -6.8        | -6.0 |
| Current account balance, excl. grants                              | -5.4  | -7.9  | -4.0 | -2.7        | -2.1 |
| Fiscal financing needs, (excl. grants), US\$ billion <sup>2</sup>  | 2.0   | 4.6   | 3.3  | 3.4         | 3.4  |
| External financing needs (excl. grants), US\$ billion <sup>3</sup> | 2.0   | 3.0   | 1.8  | 1.6         | 1.4  |
| Public debt  | 45.7  | 47.3  | 48.2 | 50.2        | 50.2 |
| External debt  | 18.6  | 17.9  | 16.7 | 17.0        | 17.0 |
| Reserves in months of imports                                      | 3.9   | 5.6   | 4.6  | 3.6         | 4.6  |

Sources: National authorities; and IMF staff calculations.

<sup>1</sup>Figures may differ from WEO data as they reflect updates by recent missions.

<sup>2</sup>Budget deficit, excluding official grants, plus public external amortization.

<sup>3</sup>Current account deficit, excluding grants, plus amortization.

external positions are envisaged to improve gradually over the medium term as a result of structural reforms, the recovery of hydrocarbon exports, and improvement in the contract prices of LNG exports. Donor support will be critical, and it is important to accelerate project disbursements and increase budget support to help reduce financing pressures and the crowding out of private sector credit and investment.

**Risks.** The main downside risks are a deterioration in the political and security situation or new challenges in the broader political transition, including the drafting of the constitution and steps leading to elections. Another important risk is a weakening of the reform agenda or implementation including large reversal of recent fuel price increases. On the upside, a full implementation of the peace agreement with the Houthis, an acceleration of disbursements, including for budget support, and higher LNG prices would improve the overall outlook.

**Short-term policy issues.** The immediate priority is to contain the adverse effects of the sabotage of oil and electricity facilities on the budget and the external position and to restructure public expenditure to support growth, job creation, and poverty alleviation. The program envisages a fiscal deficit of about 5.4 percent of GDP compared to 9 percent of GDP estimated under a non-adjustment scenario. Reforms will target improving tax revenue collection, gradually eliminating fuel subsidies, containing the wage bill, and maintaining capital spending relative to GDP at the 2013 level. Monetary policy should remain vigilant and aim at limiting the adverse impact of fuel subsidy reforms on inflation, and smoothing exchange rate volatility.

**Reforms for inclusive growth.** The key medium-term challenges are to sustain high growth and job creation, diversify production and export structure from hydrocarbon exports, and put public finances on a more sustainable medium-term footing. In addition to fiscal reforms to reorient the budget to pro-growth pro-poor spending, there is a need to rehabilitate hydrocarbon sector and encourage FDI, as well as reform state enterprises. Improved business environment, strengthened bank supervision and financial intermediation, and continued prudent monetary policy will also be critical for spurring private sector credit growth and job creation. Improvements are also needed in governance and transparency in line with the government's Transition Plan. Such reforms will benefit SMEs and complement the role of the Social Fund for Development. The improved fiscal space will allow a large increase in the Social Welfare Fund transfers to the poor and vulnerable groups. Reforming the civil service would help reduce corruption and enhance public service provision, efficiency, and fairness. This agenda requires further technical assistance by Yemen's external partners, including in the areas of public financial management, fiscal decentralization, financial and capital market development, monetary operations, banking supervision, payment system, economic and financial statistics, and judicial reforms.