CONVERGENCE
Rising spatial disparities are threatening economic growth and social inclusion in the Middle East and North Africa.
Divergence: In MENA, location can mean the difference between access to opportunities and a life of countless barriers
opportunities for citizens shaped more by accidents of where they were born

63%
Poorer regions in MENA countries often have lower service coverage exacerbating inequality of opportunity and creating poverty traps.
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Only 22% of rural MENA population live near an all-weather road.
Poorer regions in MENA countries often have lower service coverage exacerbating inequality of opportunity and creating poverty traps.

28 million people in rural areas lack access to electricity.
Being located far from a large city also increases business development constraints in MENA countries.

MENA governments have focused on national convergence with new economic poles and new cities that have had limited impact.

Why? Focus has been on addressing the symptoms, not the drivers, of divergence.
New cities have been built to lead economic transformation but have had little impact on spatial convergence.

Case example: Egypt 2015-16

23 new cities established in Egypt 1979-2000 were projected to host over 20 million Egyptians. In 2006 the population was just 800,000, 4% of projected.

Source: Oxford University Press
MENA countries allocate an outsized share of expenditures to bring capital to people living in lagging areas

- 1. Broad-based governance and Institutional Reforms
- 2. Basic Health, Education, and Related Human Capital Improvements
- 3. Provision of Basic Public Services
- 4. Skill Development, Worker Training, Wage Subsidies
- 5. Physical infrastructure for connectivity and to support local production
- 6. Subsidies and Other Incentives to Capital
- 7. Growth Poles, Industrial Districts, Other Location Subsidies
- 8. Public Sector Industrialization and Industrial Location Regulations

Source: GFS, IMF, MENA budget laws and equivalent documents
What are the building blocks of a convergence machine in the Middle East and North Africa?
Strengthen coordination and complementarities across sectoral interventions

Sectoral investments may not address all binding constraints in a place:

- Infrastructure
- Agriculture
- Social Protection
- Support to priority industries

Area based strategies and investments that address binding constraints in a spatially coordinated manner:

- Better prioritized infrastructure
- Alleviating constraints faced by local firms
- Alleviating constraints faced by local people

Rigorous Diagnostic of Endowments & Constraints
Devolve greater functional authority and resources for local revenue generation and local service provision to local governments.

**Fiscal Decentralization**

**Mashreq, Egypt**
- Governors focus mainly on public order and serve as the provincial seat through which deconcentrated units of line ministries plan and coordinate investments or provide services.
- Central governments largely maintain control of financial resources.

**Maghreb**
- Countries divided into governorates headed by an appointed governor; municipalities have elected councils legally enabled to approve plans, development projects, regulatory controls and local budgets, with varying degrees of political and administrative autonomy.
- Central control over finances but elected councils of municipalities can approve local budgets.

**West Bank and Gaza**
- Local governments are responsible for 27 functions including most public services commonly delivered at the local level.
- Truly decentralized budgetary system.

**De-concentration**

**Centralized territorial structure**

**Functional and fiscal decentralization**

** GCC**
- Saudi Arabia: regional councils headed by emirs (appointed by the king) oversee governorates, districts and municipalities.
- Smaller GCC countries: municipalities are branches of the central government.
- Quasi-totality of municipal funding provided by central government through fiscal transfers.

**Note**: There are some notable exceptions to the categorizations as indicated in the subsequent figure (the United Arab Emirates has a significant degree of fiscal decentralization).

Source: Author’s adaptation of decentralization literature.
Enable greater mobility of your people between lagging and leading areas

14% of population in MENA has moved from their place of birth vs. 28% elsewhere.
1. Relax zoning constraints and streamline land transfer procedures in existing cities, lowering the regulatory barriers to their redevelopment.

Fragmented, planned low-density New Cairo City

Intersection density: >300 / km$^2$
Road density: >40 km / km$^2$

Dense and inclusive informal settlement in Cairo

Intersection density: 131 / km$^2$
Road density: 27 km / km$^2$
Many MENA cities are spatially fragmented, limiting agglomeration effects

- Downtown neighborhoods in GCC replaced with large buildings and vacant lots
- New Cairo in Egypt
- Satellite dormitory towns in Morocco

Source: Landscan 2012.
There are negligible positive spillovers to MENA’s large cities from regional trade. In contrast, spillovers are positive across all countries globally.

4. Start thinning the “thick borders” that inhibit mobility across MENA, both for regional trade and for migration.
Economic growth is “contagious” to a country’s neighbors

There is 36% growth spillover for countries from membership in trade agreements.

Sweden GDP, 1990-2015

Source: Lebrand (2019)
MENA countries and their people lose significant economic opportunity from their thick borders

Putting Sweden in MENA would have cost it $1,375 billion

Sweden GDP, 1990-2015

Source: Lebrand (2019)
Cities, as the hubs of international markets, can in particular benefit from trade spillovers – now they are currently missing out on potential growth.

Source: Lebrand (2019)
There are five transitional steps that MENA governments can take towards convergent growth:

1. Relax zoning constraints and streamline land transfer procedures in existing cities, lowering the regulatory barriers to their redevelopment.

2. Step away from credentialist education and toward schooling that cultivates globally tradable skills.

3. Devolve greater functional authority and resources for local revenue generation and local service provision to local governments.

4. Start thinning the “thick borders” that inhibit mobility across MENA, both for regional trade and for migration.

5. Enact new, evidence-based and place-sensitive criteria to guide future spatial interventions.
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CONVERGENCE