

Amjad Ahmad: Welcome to empowerME Conversations, a podcast from the Atlantic Council. This show brings you leaders from business and government shaping the future of Middle East economies. I'm your host, Amjad Ahmed, Chairman of the empowerME Initiative. Let's get started. Spanning three continents, the MENA region has a large and highly diverse population of 480 million people. It comprises countries across the wealth spectrum, from the poorest, Yemen, to the richest, Qatar. It boasts one of the world's youngest and fastest growing populations, is endowed with rich and natural resources, and has four of the top ten sovereign wealth funds, with combined assets of \$2.5 trillion dollars. At the same time, MENA is facing a challenging global and regional environment, which has been exasperated by the COVID pandemic, global economic slowdown, rising inflation, and unstable geopolitical conditions. Amidst these challenges, the variation in GDP annual growth rate across MENA countries has been significant. For example, the projected GDP growth rate in Morocco and Tunisia in 2022 averages around 3 percent, versus 4 to 5.5 percent in Jordan, Egypt, and Iraq, and 8 percent in Saudi Arabia. Overall, higher oil and gas prices and increased production benefited the energy exporters, while increased inflation negatively affected oil, gas, and food importers. It is a great pleasure to have with us today, Jihad Azour, Director of the Middle East and Central Asia Regions at the International Monetary Fund, to discuss the opportunities and challenges in the MENA region. He formerly served as Lebanon's Finance Minister and he has held various positions in the private sector, including senior roles in McKinsey and Lutsenko. Welcome, Jihad.

Jihad Azour: Thank you for having me.

Amjad Ahmad: It's a great pleasure having you. Thank you for joining us. I'm also joined today by my co-host and colleague Racha Helwa, empowerME director at the Atlantic Council. Racha is a senior economist with 25 years of professional experience in economic and financial policy analysis and implementation. She held multiple roles in government, academia, and the private sector. Welcome, Racha. Thanks for joining us as well.

Racha Helwa: Thank you Amjad. I'm happy to be here. Hi Jihad, very pleased to be with you today.

Amjad Ahmad: Jihad. Let's lay the scene for the audience. In a few words, when you see the structural opportunities and challenges in the region, what do you see today from your perspective, and more importantly, how do you compare it to other regions in the world?

Jihad Azour: Again, Amjad, thank you for having me. It's a great pleasure to be with you and with Racha. You laid it out very well in your opening remarks. The region is very diverse and therefore the region is not one group. It is multiple groups in the same geography. Of course, the current global and regional developments are putting the region in one of those moments where

several issues need to be addressed at once. Of course, we live in a situation where uncertainty is growing. We live in a situation where global developments are having a direct impact on the region. And also, we live in a region where a certain number of the challenges that were with us over the last couple of decades are still very present. Globally, global outlook has moved from being a promising to challenging. Inflation is on the rise. Global value chain has been affected by the disruption in supply and supply chains. The management of the post COVID is still an issue that several countries are facing. At the same time, the war in Ukraine has also raised certain number of challenges from food security issues to disruption in supply of some of the important commodities. This has also led to an increase in uncertainty over a certain number of key issues that are very important to the region, like energy supply and energy security. At the same time, the normalization of monetary policy by large economies because of inflation has affected countries in the region, especially those who are very much dependent on capital flows to finance their debt, as well as their current account situation. And therefore, we are at a moment where all these issues are at play. It's a very dynamic situation. Countries are facing these challenges in different ways. Of course, this is one of the moments where the region is split between oil exporters and oil importers who are faced with different outlooks. And they have to deal with a certain number of divergent challenges. And therefore, it's a very fascinating moment for the region. It's also fascinating because the long-term challenges or opportunities are also present today. How we deal with climate transformation, how we deal with the acceleration of certain trends like technology, how we get benefit of all of these transformation for a region that is very young. Also, the role of youth and women could be a potential game changer for the future. But also, if they're not addressed well could be the curse that the region will face over the next decade.

Racha Helwa: Thank you for highlighting the global outlook and regional outlook very precisely. And I would like to take the discussion one step back and think of the structural problems that the region, at least the middle-income countries in the region, are faced with for the longest time. So, I'm thinking more of Egypt, Jordan, more of North Africa. I also think of Morocco, Tunisia, and Lebanon. Of course, it's been getting worse with the financial crisis, but the structure of these economies has always been struggling with the lack of fiscal space and hence the inability to spend on infrastructure, education, and health care while the population is growing much faster than economic growth is speeding up. So, how do you reconcile this dilemma? I think they have been doing the structural reforms over the past, I don't know, 20-plus years, but they're still struggling with the same problem.

Jihad Azour: Well, indeed, you are, Racha, raising a very important issue for the region. It's the feeling that a lot of things have been changing, yet still, things are, or the issues are still the same. And this goes back to I would say the speed of reform and the depth of reform. When you do, too little, too late, you cannot get the expected outcomes. And things also are dynamic. First, you have the demographic dynamics. That is one of the I would say the most pressing dynamics

in the region. And the climate dynamics. If we look back over the last two or three decades, we see a rapid deterioration of climate conditions that are adding to the challenges that countries are facing and also have the geopolitical dynamic that hasn't been favorable to countries in the region. What one would say is the resilience is still there and providing countries with some buffers over the last few decades, except maybe during COVID, where maybe informality that helped in the past did not help because the nature of the shock affected most those who were on the edge of informality. And this is one of the key lessons learned. We issued recently, a report that is showing that informality that played in the past as a buffer did not play well this time. Therefore, I think we need to put in context that the speed of reform and the depths of reform have to be well calibrated in order to address or to overcome issues. Second, I think there are certain structural issues need to be addressed. I think the role of women and youth is a game changer. If it is not put into the contribution, it could become an issue. But I think what we need to think, and this is what I very much think, is that their contribution could be a game changer if only we can reduce by half the gap compared to other emerging economies. In terms of women's participation, that is \$1 trillion of additional output that can be created. If we can gradually increase access to opportunities, access to market, to new talents, we can create additional growth structurally by 1-1.5 percent over the next 5 to 10 years, which will provide job opportunities to many other young people coming into the labor market. If we can reduce the gaps that exist in terms of infrastructure, this is also something that would provide additional opportunities. Last but not least, if we can rethink regional cooperation by developing new avenues of complementarity between countries, by opening up certain sectors, this in itself will not only strengthen regional integration, but also will create additional opportunities for jobs and for markets. Therefore, those are important issues. Last but not least, the state, the way the state functions and the way the state thinks is very important. The state as an enabler in the long run is much more important than the state as an operator. We are at a crossroads. Yes, I think COVID provided us with silver linings. That technology was put to use to help countries address some of those issues. Also, what we are seeing today as the transformative challenges that we need to address in terms of addressing climate issues and using climate transformation as an opportunity for the region. All those elements, I think, and I hope will help us plan and charter a better future for the population of the region.

Amjad Ahmad: Jihad. You mentioned several interesting reforms that we focus very heavily on. And just to focus a little bit on the role of government and providing that space for the private sector, we're seeing certain countries enact some of these reforms. In your opinion, where do you see pockets of positive change in terms of reforms? And what more do you think needs to be done to create the right space for the private sector to flourish in the region?

Jihad Azour: Let me give you examples. One example is what we saw in the GCC. For example, during the last two three years, we saw good reforms in the labor market side that allowed additional labor mobility, especially for the expats, which help increase productivity and

provide additional space for women to contribute to the economy, which also has helped to create new job opportunities in the Gulf and improve the competitiveness of the economies. We also saw that during this COVID crisis, new forms and ways of providing social assistance helped bridge the gap, especially for those who are informal. We saw this in Morocco, where more than 5 million families were provided with support. We saw this in Jordan. We saw this in Egypt. Those are good opportunities that need to be expanded and shift a bit, the way the state provides support through targeted and direct support instead of, you know, untargeted subsidies or public employment that usually reduce the level of productivity. I think there are avenues of further reform and also on the role, for example, in the Gulf of sovereign wealth funds to provide more opportunities than I would say occupying the economic territory. And on the other hand, there are certain avenues of progress that can be expanded: access to finance. The region doesn't lack resources, financial resources and has a good set of financial systems. Yet access to finance is very limited compared to other emerging economies or competitive economies, especially for the youth and for women, and entrepreneurs. Because when we think of the private sector, the private sector is very diverse, it has large corporations, but also it has startups. And the region has a very vibrant young population that can accelerate growth and economic transformation before we need to provide access to finance to those. This is one example, and I can repeat many of those. I think what is needed today is to rethink the role of the state from an operator to an enabler. Accelerate when possible certain regional standards from payment to technology to ease of access of goods and services. This will expand the market. I'll give you a small example. We did a study three years ago that showed, but only by reducing, for example, some of the bad years that exist between Maghreb countries, you could have a market of 100 million consumers that can create additional jobs for the population of the region and growth that can exceed 1% to one and a half percent for the next five years. This is only by reducing barriers. Therefore, removing barriers, creating a new, I would say, dynamic between what the state can provide and what the private sector and entrepreneur community can provide: this in itself is a very good booster for growth and job creation.

Amjad Ahmad: Well, one country that gets a lot of criticism for not providing enough space in Egypt. Where do you see Egypt in terms of its involvement in the economy? And do you see that changing? Do you see that there are reforms on the horizon to allow more private sector development?

Jihad Azour: Well, first of all, each of the reforms over the last five years, both on the economic side, on the public finance side, as well as also on the social side, moved from untargeted subsidy to more targeted support through various programs that Catherine and Karama and others that have helped ease the pressure but also improve living conditions for millions of people. Egypt, also through those reforms, was able to grow at rates of five and a half, six percent. And this is despite the COVID crisis. We need to recognize that Egypt also is a large market. It's an economy of 110 million people, very vibrant, talented with a young population that is very

innovative, too. Therefore, the potential of Egypt growing is there. The potential of Egypt becoming an important player not only in the Middle East but also in Africa is definitely still with us. What needs to be done to strengthen stability and address issues of inflation, which is an important issue globally, but also for Egypt to maintain public finance under control, which I think this is what the authorities are doing, and provide predictability in terms of the flow of capital, the flow of goods. And those are important issues. In addition to that, accelerating structural reforms by providing predictability in terms of investment opportunities, leveling the playing field with the private sector, and redesigning the role of the state to be more on the enabling side. Those are reforms that will definitely translate into jobs, translate into growth, and also translate into improving living conditions, especially for those who are living in rural areas. I think Egypt has done important things to consolidate, stabilize the economy, as well as also to improve financing conditions going forward. I see innovation, especially in climate. Egypt is going to host the COP27. I see improvement in the business and investment conditions, and I see the state becoming more an enabler and less an operator.

Racha Helwa: So, Jihad you have the mentioned climate. And this is a very important sector for developing countries, largely, but also for the region. The region so far possesses about 25 percent of the solar energy globally, which could suffice the global demands, you know, like oil exports. So, what would be your advice here? How would they benefit the most from this potential? How can they be competitive in the international business or store and export renewable energy, maybe to Africa, or to Europe? And how can institutions like the IMF and World Bank help them do so?

Jihad Azour: Racha, I think this is a strategic issue. I think we all now recognize that climate is not only a public good but also something is relevant in our day-to-day life. It's relevant for agriculture and those who are living in the area. It's very relevant for those who need water, and it's also very relevant for the health conditions of our population because of the risks that pollution will impact our lives as well as our health. Therefore, it's very important to take the climate issue seriously, improve our climate investment in order to increase renewable energy sources, especially that, you know, we can use wind, we can use the sun. Solar panels can be extended and reduce our dependence on fossil fuel energy. We can share better very scarce water resources and we can protect our economies from or our society from climate risks. Therefore, it's definitely an important avenue for us in terms of investment, in terms of also improving the conditions for our populations. And this is where the role of international organizations is important here by providing not only financing but also by providing, I would say, road maps that could also help others, especially the private sector, which is going to be the largest contributor in terms of investment, to see that international organizations have skin in the game. And this is what the fund is trying to do with the new facility, the resilience facility that we have got agreement of the board, and that during the annual meetings we will put it into operations by also providing a roadmap on what are the policies that countries could put at play to improve

climate conditions, reduce dependence on fossil fuel, and have the right pricing of carbon. Three is to, I would say, create synergies between what the region is doing and what other parts of the world are also doing. In the region we have some success stories. For example, the largest producer of renewable energy is Masdar company in UAE that has expanded globally. Therefore, we have also a certain number of success stories that we want to promote this year, and next year, the two cops will be taking place in the region. Those are important moments. I hope that will allow the region to showcase what we can produce here in terms of innovation and also raise awareness of the global community, of the challenges that our countries are facing, and above all, that our vulnerable population is facing.

Racha Helwa: Who do you think would be best lead this sector? Is it more of the private sector renewables? Is it more the private sector? Is it the government? Is it both? Do we need to think more about projects? We see progress. Like how do we envisage the financial infrastructure in this sector, particularly in the countries where there is a lack of resources? So like middle-income countries excluding about.

Jihad Azour: Racha, I think the right equation is to have all stakeholders working together. Each has competitive advantages. The private sector knows how to invest and where to find opportunities. In certain cases, the risk is high and therefore we need to have the contribution or the input from multilateral institutions to open, I would say, the door for the private sector to come in. Civil society also has an important role to play because we need to change behavior and the state has to regulate and has to provide the right framework for all these actors to come into play. It's a long journey. I think it would require more than one phase and there will be some priorities in the short term, which is how to strengthen the adaptation to climate change because we need to protect lives and livelihoods. But I think over the medium term, the mitigation will come in. It would require additional investment and hopefully, we will create an ecosystem whereby energy security and energy transformation will go hand in hand. I think what we are seeing today is that the two priorities should be reconciled. We need energy and we need to secure energy, but also, we need gradually to move into a wider range of cleaner energy. That would require investment and it would require a change in our way of consuming. And this would take time, and this would require that we think about the two sides of the equation at the same time.

Amjad Ahmad: Jihad just pulling on that string. It seems that before this period, there was a lack of coordination on energy transition globally where governments sort of went their own way. Do you see this changing going forward? Do you see more cooperation now on that transition period? And it would seem to me at least that to reconcile the gap of the lack of investment from the private sector, that governments will have to increase their involvement in the transition rather than decrease their involvement. How do you see that playing out?

Jihad Azour: Well, I think exactly the way you portrayed it is what we went through over the last two years. The various successive shocks brought to our attention that we need to move on a multi-track approach. This multi-pronged approach would require that we preserve access to energy and therefore investment is still needed. We gradually widen the sources of energy that we would create, and this would require additional investment into renewable energy that maybe in the beginning may not be cost-effective, but with time it will, hopefully technology will help with that. On the other side of the equation, we saw that the behavior of consumers, be it corporate, industrial or even household, has to adapt to that. And the latest development with the impact of the world and Ukraine on energy consumption in Europe, it's clearly showing that these are important issues to deal with. Last but not least, the region is one of the largest producers of energy worldwide, and that is a role here that has been played by countries of the region. And I'm sure that it will be great. I'm happy to see that several countries have developed their medium and long-term strategies with concrete objectives in terms of reaching zero emissions by also concrete steps in diversifying their sources of energy. I think those are important milestones. I hope and I wish we would see greater regional cooperation on those important issues because I think this is where the region can be stronger and can be an important player globally. Lastly, I think also we collectively need to develop a new set of values were preserving our ecosystem as well as developing a certain number of behaviors are going to be important if we want to succeed in this transition.

Amjad Ahmad: You know, you mentioned on several occasions that the Gulf has been a beneficiary of everything that's been happening in energy. I'm curious as to your take on how they're investing this windfall. You know, we've had historically different ways that they've invested, and some would argue not productively. Do you see something different going on this time around with the Gulf? Are they investing wisely? How do you see that windfall being put to use?

Jihad Azour: Well, two things. One, over the last few years, we saw a move toward medium-term planning, serious investment in diversification, not only diversification on the economic front but also on the public finance front, to reduce dependence on oil and gas. And those were steps in the right direction when we saw a positive outcome of that. I think the challenge for those countries is to pursue this transformative journey at a time where oil prices, you know, has reached the \$100 plus. The second development we saw is their investment strategy or the way they manage their financial resources has changed over time from an approach where sovereign wealth funds only played the role of diversifying their investments and reducing, I would say, the link, the link between their economy and their investment. To something more complex, in addition to that, we see that sovereign wealth funds are playing an important role in accelerating economic transformation and recently in also seeking opportunities in countries in the region where in the past it was mainly investing in the West and targeting advanced economies and very much sophisticated sectors and companies. This is the new approach that we see now happening.

Linking this to the planning process that has moved from short term to medium term, hopefully will increase the value of those investments and will help gradually diversify economies and create more opportunities for regional cooperation. Of course, this is very important to put in a context of good governance, which on one hand should not reduce the space to the private sector, and on the other hand, those are long-term resources that belong also to a future generation, is to make sure that they are well invested to protect the value of those assets.

Racha Helwa: And Jihad, you have been a very strong proponent of gender equality and the important role that women can play to achieve sustainable growth. So what countries are leading the process of gender equality and women empowerment in the region? And how do you think this can help accelerate economic growth? And what other countries can learn from those?

Jihad Azour: Well, let me first say, Racha, that we cannot succeed in inclusion if we keep 50 percent of the population outside the decision making, outside the leadership. Therefore, if we want to succeed in inclusion, which I think is what many countries in the region are seeking to achieve, we need to have a very clear strategy to include further women in the economic arena and the decision-making arena. This requires, on one hand, to have very specific policies, very specific economic and public policies. It requires also adjusting the legal and regulatory framework that is lacking in many countries and also changing practices, culture, and mentality. And it's going to be a long journey and it's an important one. If we want to succeed, we need to do this. Public policies have been gradually, I would say, moving toward that. But I think we still have a way to go. We have several initiatives in several countries: Tunisia, Morocco, we saw in Jordan, we see in Egypt, and also in other countries certain initiatives are taking place. But still, I think women's participation is still low, relatively to the skills and talents that women have. In terms of input-output, it's not the right equation. We invest a lot in building capacity, but we're not putting them to use. If we compare it to other parts of the world also, and also if we compare the level of aspiration that Arab women have, I think we are still below what we want all collectively to achieve. Therefore, this is an important priority for our future. It would have a huge economic benefit. Socially, it will strengthen the social protection framework and increase resilience. And especially, I think going forward, this is going to be of utmost importance if we want to reach a higher level of growth and reduce that unemployment. If we see this and I think of one simple example, recently Saudi Arabia introduced several regulatory changes to allow women to contribute further to economic activity. And we saw a very rapid response in the labor market. It helped increase women's participation and gradually reduced the level of unemployment. Those are success stories that we need to build on. But this is one of the key priorities that we need to set for the region for the next 5 to 10 years.

Amjad Ahmad: I'm going to give a quick plug for our program called the Wind Fellowship. So I don't know if you saw Jihad, but where we have a program where we're trying to upskill women leaders and entrepreneurs to hopefully succeed and get to the leadership roles in the

region. You know, we've seen in other regions where women go into the leadership position, you see that permeate through the entire population. So it's very important that we add to the women in the leadership positions, both in the private sector and the public sector, of course. But Racha, please go ahead. I think you had a follow up.

Racha Helwa: Thank you. Yeah, so, I was wondering if the IMF can sometimes put some social targets as a condition, as a conditionality aspect of your loan agreements with the governments and the region and world.

Jihad Azour: We do this Racha in several of our programs, for example, in Jordan, we set certain targets and conditions in Egypt too, because it's very difficult to achieve the objective of creating job opportunities for women if you don't level the playing field. And therefore transportation, for example, in certain cases, and childcare regulatory reforms are very important to increase the level of women's participation. Recently, we have updated the strategy, the gender strategy for the fund that has certain very specific milestones. And in our Global Research Conference that we have once a year, we had it last time in Morocco in June, whereby one of the key issues that we discussed was around women's participation in the economy. This is an important issue. It's not only important because we believe that it is the right thing to do, but also we believe that this is a good thing to do for the economy, for social stability, as well as also to succeed in the transformation that the region needs. Therefore, yes, it's a macro critique, as we tend to say, to increase gender participation.

Amjad Ahmad: Jihad, you know, when we look at entrepreneurship, you know, it's another big pillar that we focus on. You know, we are seeing momentum in the region, but still, the numbers are fairly small. How do you view entrepreneurship in that reform mix that you're talking about? How important is the scheme of things? And who are some of the better, let's say, operators in terms of entrepreneurship that you're seeing emerge out of the region?

Jihad Azour: Well, entrepreneurs of today are the large corporations of tomorrow. And therefore, you cannot disassociate this from a medium to long-term growth strategy. Therefore, the role is very important not only to create jobs but also to build the competitiveness of your economy and grow your economy over the medium term. What needs to be done is to provide them with the right access to the market and the right access to finance, which is not always the case. This requires adjusting and adapting the financing instruments for that, but also in terms of regulation to provide them the right access to the market, protect the intellectual capital, and also allow them to grow and compete. Several countries have moved in this direction. Of course, we have some success stories of, you know, some of the startups that now have reached levels of billions of dollars of capitalization. This is something that we need to see more. And I see here one avenue of strengthening collaboration between countries in the region because the resources are finite and they are very much in demand globally. The risk that we are seeing is whenever

someone develops something, it's immediately attracted to go to Silicon Valley or other parts of the world. What we need is to be able to create the ecosystem for those startups to be able to grow in our market and expand. In terms of their economic contribution, they still contribute to the well-being of the economy of the region. Therefore, the idea is not to close our market. The idea is to open our market, but to provide the infrastructure, and the ecosystem for those to grow while they are, in fact, operating in the region. And this also requires that we look at the education system and the capacity building and the skill building that our universities need to take this as an opportunity to become more active in this journey.

Amjad Ahmad: I think your point about access to markets, it's such a key point from a venture capital point of view. And the reason I say that is because I think it's all connected to the lack of FDI in the region. You know, as an investor, when you're looking at an opportunity, you want to see that it has a large market that it can grow into. And that's been a primary challenge, I think, for FDI coming into the technology sector and other entrepreneurship in the region. So there seems to be a little bit of incoherence in terms of the policies where you're trying to drive entrepreneurship on one end, but you're not opening integration and markets on the other end. Why do you think that is? And what are the biggest hurdles that we are seeing today for regional integration?

Jihad Azour: There are two dimensions. One of them is this strategic positioning. We saw countries, for example, succeeding in getting into the global value chains. Morocco is producing spare parts for aircrafts and for cars. And we saw that it helped them to weather the shock of the COVID crisis much better than maybe other countries in the region. Therefore, improving the quality, and improving the competitiveness is always positive because it allows you not only to depend on your market but to benefit from some good globalization. The second trend that I see that we could put to use is onshoring. The COVID crisis and the disruption in the supply chain has brought new thinking that we need to bring production close to the market, close to home. And geographically we are very well located to serve several markets in Europe, Africa, and Asia. And therefore, there are new opportunities that we need to see. What those opportunities require is the talent and the organization of the workforce and the capital to be competitive, and for the state to provide clarity of regulation and provide also predictability in terms of public policy, and for the capital of the region to be a risk taker and not risk averse. And this is something that we start seeing more and more. I think we have several good examples of success stories. We need to build on those and expand them and mainstream them.

Racha Helwa: And Jihad, had let me take you back to the macroeconomic picture. So the level of debt distress witnessed by many countries in the region is very, very high, especially when it comes to external debt. So I'm thinking of Egypt, Lebanon, and Jordan. This is putting pressure on the local currency. We're seeing Egypt going into another wave of devaluation. People are talking about potentially another devaluation of the local currency. And this is putting a lot of

pressure on the market and the consumer sort of purchasing power. So how alarming is this? And do you expect any other country to follow the path that has been witnessed in Lebanon?

Jihad Azour: Well, that is an important issue. And when that goes up, it creates vulnerabilities. Of course, combined with external shocks, it increases vulnerabilities usually before it's very important. And this what the fund has been trying to help countries deal with is how to reduce the level of debt and how to also reduce the impact of external shocks on the economies. You mentioned Egypt and other countries. Those are important priorities. You need to preserve what you have acquired or improved, and stability is the best way to preserve that. Therefore, maintaining macroeconomic stability is an important priority even for prosperity going forward. A high level of debt in the context of an increase in interest rate is an additional challenge. And this is why we are working with all the countries that you have mentioned to help them while accelerating consolidation to strengthen their macroeconomic stability, but also do it in a way that is socially providing the right safeguards and protection to the most vulnerable and not affecting the competitiveness of the economies. And sometimes when you are subjected to external shock, the exchange rate has to help in maintaining your competitiveness. And also, public policies need to be taken into consideration, not only the internal issues, but also the external issues. We are in a moment of high uncertainty, a moment where inflation globally is very high, and those are issues that need to be dealt with. This is the purpose of our work, and this is how in the last three years we were able to provide a cushion to many countries during the COVID crisis with adapted financial facilities last year, with the resilience and sustainability thrust that had been countries to deal with the structural issues and for others with the programs that we provide, you know, with Jordan, with Tunisia, with Morocco, with Egypt, we have recalibrated our programs to help those countries address the series of external shocks that affected their economies.

Racha Helwa: There's always the debate over how much external debt is too much. Like what do you think is the alarming threshold? Is it 50 percent of GDP, 30 percent of GDP? Do you usually have like a sort of simulation analysis for this? And you have like in mind some indicators that should be alarming when we think of these countries that I mentioned, Egypt, Jordan, and of course, Lebanon?

Jihad Azour: Well, the general answer to that is having a sustainable level of debt is the right course of action. Reducing debt, gradually reducing the burden of debt on public finance and reducing the uncertainty that the debt could bring. But I think countries are different, and this depends on the nature of the structure of the debt, how long-term the debt is, and how vulnerable the debt is if there has been a change in interest rate conditions. Therefore, I think countries are different and there is no one size fits all. I would say preserving macroeconomic stability, reducing the debt burden, reducing the uncertainty that the high level of debt could bring, and the

risk that this could have in terms of crowding out financial resources that usually should benefit the private sector. Those are the right policies.

Amjad Ahmad: You know, we've seen Gulf players supporting economies like Pakistan and Egypt. Do you see that continuing as we go forward, or are they going to be more prudent with how they support these countries with their monetary policy?

Jihad Azour: Gulf countries have been over the years and recently more than ever, a great supporter of countries in the region. We have had very good collaboration with them and they contributed to several countries where, for example, the fund provides programs: Egypt, Jordan, Morocco, Tunisia, and other countries. This is, I would say, welcome. The attitude that we saw recently increased. Saudi women were cheering the hour when they initiated this initiative in the G20 for what we call the common framework to help countries address their debt. And recently, several of the countries in the region, as well as the regional institutions, the Arab Fund for Economic and Social Development, the Monetary Fund, and the Islamic Development Banks have contributed to providing financing to countries in the region who needed to have access to long term cheap resources to ease their financing constraints.

Amjad Ahmad: I'm going to give my wonderful co-host the last question. So please, Racha, go ahead.

Racha Helwa: Okay. My last question is going to be very hypothetical. If we have the authority to appoint as the president of one of the MENA countries, which country would you choose? Second, what are your five immediate economic decisions the first day you are in power.

Jihad Azour: Look, I think one can contribute in different ways. And again, thank you for suggesting this to me.

Amjad Ahmad: I don't think he wants the job, is what he's saying.

Jihad Azour: No. Look, I think we are. Let me take it from a different angle. We are definitely in the region at one of those important crossroads. We have a huge set of issues to deal with. But also, I think we are in a moment where opportunities for the region are real. What one should do for the future of the region is set clear targets in terms of addressing one of the main issues we have, which is the high level of unemployment. And policies should be geared toward achieving that, starting with education, as well as to reform the labor market, improve the quality of infrastructure, and also to strengthen governance, to provide access to those who need it, in a fair way. This is one important dimension. The second dimension is to reconsider our role in the world. We as a region, have a very strong contribution to provide to the world. This would require maybe to change our approach to regional integration and build something new. But I

still consider that there is a great value in increasing the level of collaboration between countries, people, groups, and between companies in the region. Removing bad years, tearing down walls. It's an important priority for our region. Three areas we need to address collectively are the weaknesses and the vulnerabilities. We are a region that has huge potential, but also we have certain important issues. We have a very high level of internally displaced refugees that we need collectively to deal with. We need also collectively to work on reducing the level of conflict intensity that exists in the region, and hijack our future effort. Also, we will not be able to succeed if we don't address and deal with those issues.

Amjad Ahmad: Well, with that, thank you, Jihad. We appreciate you joining us today. Your comments were insightful as usual and wanted to wish you luck with all the programs that you're working on at the IMF. Have a wonderful day. And I'd also like to thank my co-host, Racha as well, and, of course, our sponsor UPS. Thank you for being a supporter. And we appreciate all the work you're doing in the Middle East as well. Thank you. Thanks for listening. If you like what you heard, please subscribe to empowerME conversations and rate and review us wherever you get your podcasts. For updates on our work, follow us on [LinkedIn](#) and [@acmideast](#) on Twitter or visit atlanticcouncil.org.