



One more photo from the symposium organized by IMF Middle East Center for Economics and Finance in Kuwait, jointly with AFESD.

# Experts discuss economic policy challenges faced by Kuwait, ME

IMF ME Center for Economics & Finance, AFESD hold symposium

**KUWAIT CITY, Nov 1: The IMF Middle East Center for Economics and Finance (CEF) in Kuwait, jointly with the Arab Fund for Economic and Social Development (AFESD), held a high-level symposium on "The Economic Policy Challenges Faced by Kuwait and the Arab world" on Tuesday, Oct 31, 2017.**

The event was hosted at the Arab Fund's Headquarters. The panel discussion was chaired and moderated by His Excellency Dr Yousef Al-Ebraheem, Economic Advisor at Al-Diwan Al-Amiri. Aasim Husain, Deputy Director of the IMF's Middle East and Central Asia Department and Stéphane Roudet, who leads the yearly IMF mission to appraise Kuwait's economic situation (the IMF Article IV Consultation mission) started off the conversation with presentations on economic challenges in the Arab world and in Kuwait.

This was followed by a discussion with His Excellency Warren Hauck, Ambassador of Australia to Kuwait, and exchanges of views with the audience.

In his introductory remarks, His Excellency Dr Yousef Al-Ebraheem indicated that the symposium was the seventh high-level forum organized by the CEF jointly with the AFESD, aimed at stimulating discussion on emerging economic issues that are of special interest to policymakers and scholars in Kuwait and the wider Arab community. He argued that the topic of economic and financial sector reforms was important in Arab countries, given pressures due to persistent conflicts, a refugee crisis, and, especially for GCC countries, the "lower-for-longer" oil price environment. A common challenge for many countries in the region has been to design and implement reform programs that help lower unemployment and poverty, achieve fiscal consolidation, and raise growth in a manner that is sustainable, inclusive and equitable.

Husain's presentation highlighted that the growth outlook was improving somewhat across the region. Pointing to the recent release by the IMF of



The speakers taking part in the symposium.

its Middle East and North Africa Regional Economic Outlook publication, which includes detailed forecasts for each country, he also noted that there was a diverging growth story between groups of countries. In oil exporters, notwithstanding an improvement in non-oil growth to 2.6 percent this year, overall growth was expected to drop below 2 percent due to the OPEC+ cuts in oil production. In contrast, growth in oil importers was seen as recovering to over 4 percent this year, reflecting the global recovery, stronger exports and foreign investment, and more tourism receipts. Countries in conflict and their neighbours continued to be affected by a difficult security situation. Husain also stressed the progress being made in adjusting fiscal positions in the region, particularly in oil exporters, where the sharp decline in oil prices had led to the emergence of large deficits.

### Positive

Husain stressed that, in spite of these positive developments, medium-term growth prospects remained muted, especially in light of the job creation challenge in the region. He noted the IMF projections were pointing to some increase in growth over the medium-term for oil importers, but at a lower level than experienced in the past. Prospects for oil exporters were seen as relatively weaker in a "lower-for-longer" oil price environment that implied continued need for fiscal consolidation efforts. At the same time, however, 20 to 25 million youths were expected to enter the labor force by 2022. Husain stressed that absorbing this rapid increase necessitated much higher growth, driven

by the private sector, and rich in jobs to ensure opportunities for all.

Husain flagged a number of reform areas he saw as critical to achieve these objectives. First, he highlighted the need to improve the quality of education. In particular, he explained training needed to cater to the needs of the private sector as opposed to that of governments. While in some countries, this requires more spending on education, in others, the key is to improve the quality of the education system by reorienting spending. The second area of reforms was aimed at improving the business environment. While some progress has been made in some areas across the region, Husain made the point that countries outside the Arab world were making more rapid progress and Arab countries are at risk of falling behind in relative terms. That, in turn, could make it difficult to attract foreign investment, which flows to locations with the best business environment. He also highlighted the importance of strengthening access to finance, including in oil exporters, which in spite of having more developed financial markets would benefit from enhanced access to credit, particularly for SMEs. Finally, Husain explained how deeper integration in global value chains would help generate jobs, especially as global economic growth picks up.

Roudet started his remarks by stressing that, with the yearly IMF Article IV Consultation mission just starting, the event provided an early opportunity to reach out to a broad audience and seek views from various stakeholders on the economic situation and policy challenges in Kuwait. Building on Husain's presenta-

tion, he highlighted that Kuwait, like other countries in the region, needed to boost growth and job creation for nationals. He noted that doing so in a more constrained budgetary environment required rethinking the economic growth model, moving away from public-sector and oil-led growth and towards a model based on private sector development and diversification.

### Impediments

He focused on a number of important impediments that needed to be addressed as a matter of priority. First, given the limited scope for public sector jobs going forward, he explained that labor market and civil service reforms should encourage Kuwaiti nationals to seek private sector jobs. Roudet pointed to the large difference between compensation in the public and private sectors, and explained that better aligning public sector wages and benefits in the two sectors would provide more incentives for nationals to seek jobs in private sector firms. This would also help limit wage costs in the private sector and, together with education reforms, aimed at better matching the skills of young graduates with the needs of the private sector, this would in turn encourage Kuwaiti firms to hire nationals, enhance competitiveness, and support higher and more inclusive growth.

Roudet described other steps critical to private sector development, diversification, and job creation for nationals. This included enhanced reliance on privatization and PPPs, which he saw as important to reduce the influence of the State on the economy and level the playing field.

### Ties are 'advanced'

## Khartoum highly appreciates Kuwait's support: Ghandour

**BUDAPEST, Nov 1, (KUNA):** Khartoum has drawn up an ambitious plan for cooperation and economic and trade partnerships with the world after the US lifted two-decade sanctions on Sudan, a minister has said.

The plan will take off over the coming next months through tours in friendly countries, and talks with senior officials there, the Sudanese Foreign Minister Ibrahim Ghandour told KUNA in Budapest Wednesday as he concluded the first of its kind visit to Hungary.

Ghandour pointed to the country's great potentials in economy, agriculture, mining and oil, saying that Europe owns modern technology and expertise that are likely to make any economic or trade partnership a success.

Economy is the locomotive of politics, he said, adding that the coming few months would witness broad cooperation with the continent where major companies have shown willingness to return to the Sudanese market.

Today, Sudan is widely open in its relations with the European Union (EU) and the US, the minister said.

On the visit to Budapest, Ghandour said he had had "fruitful talks with Hungarian officials on promoting bilateral ties in all fields amid the regional and international challenges facing the world." Europe significantly relies on Khartoum's leading

role in the fight against terrorism and curbing illegal migration, he added, referring to the country's "geographical position and security expertise that help it combat the negative phenomena that disturb the world." According to the Sudanese chief diplomat, illegal migration to Europe from Africa has fallen by 25 percent since Sudan closed borders with Libya.

On ties with Kuwait, Ghandour said the relations between the two countries are "advanced." He commended the outcome of the recent visit to Kuwait by Sudanese President Omar Al-Bashir who held talks with His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah.

Ghandour highly appreciated Kuwait's support to Sudan, particularly in the "worst political and economic conditions." For his part, Hungarian Foreign Minister Peter Szijjarto said there are good investment opportunities the Hungarian companies can seize in Sudan after signing a bilateral agricultural accord and agreeing to launch cooperation in health and renewable energy, as well as supplying the African country with modern technology.

He noted that a Sudanese security delegation would visit Hungary next month in the framework Europe's efforts to combat terrorism.

The EU has offered Sudan 60 million euro to support its efforts in fighting crime and illegal migration, he noted.

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