Box 1. A Roadmap for Countries to Emerge From Conflicts

Violent conflicts continue to batter the MENAP region. Their humanitarian cost is immense. The United Nations (UN) estimates that the conflict in Syria alone has killed as many as 250,000 people, with many millions more displaced. Between October 2015 and March 2016, more than 600,000 people fled the country, bringing the total number of Syrian refugees to almost 5 million. During the same period, violent non-state actors carried out more than 30 attacks on civilians in the region (outside Syria), killing more than 800 people and wounding hundreds more. These groups were also responsible for attacks worldwide.

The massive costs in Iraq, Libya, Syria, and Yemen continue to mount. Intense violence has caused a scarcity of food and other necessities, damaged infrastructure and institutions, driven up inflation, hurt savings, and worsened fiscal and external positions. The economic impact has been sizable. Due to the protracted conflict, Syria’s GDP today is less than half of what it was before the war, while Yemen’s real GDP per capita is estimated to have contracted by more than 40 percent since 2010. By curtailing and diverting resources away from much-needed social spending and transfers, as well as from capital spending, conflicts undermine countries’ economic prospects.

Other countries in the region have suffered significant spillovers. The task of hosting large refugee populations has put enormous pressure on government budgets, public infrastructure, and services. Worsened security and confidence have also weighed on trade, investment, and tourism, weakening growth. The World Bank estimates that the conflict in Syria has lowered Lebanon’s real GDP growth by almost 3 percentage points every year since it started, and that the worsening of the crisis in Syria and Iraq in 2015 also had a negative impact on economic growth in Jordan. Conflicts also continue to diminish the willingness of countries in the region to undertake necessary, though politically difficult, economic reforms.

Countries in the region have been adapting to their circumstances in a number of ways. For example, Lebanese traders who suffered a drop in demand from Syria have since found new export markets.

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Given the mounting costs of conflicts, the international community needs to scale up and better coordinate its support. In addition to humanitarian assistance, developmental assistance should entail long-term support to rebuild infrastructure in conflict countries, and to strengthen resilience across the region. There are large financing needs, with host countries requiring additional financing to fund crisis-related projects. Aid agencies, meanwhile, are suffering from funding gaps. The international community has started to recognize these needs. The February 2016 London Supporting Syria and the Region conference, for example, led to commitments to step up financial support for refugees and host communities. It is now imperative that these pledges are translated into on-the-ground support in a timely and effective manner.

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Rother and others (forthcoming) “The Economic Impact of Conflicts in the Middle East and North Africa Region: Macroeconomic Effects, Policy Implications, and the Role of the IMF.”