# New Country Classification by the World Bank: Analysis and Policy Implications using Quality of Life

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## Abstract

The World Bank headquartered in Washington D.C is a vital source of financial and technical assistance to the developing countries. The World Bank provides support to developing countries in the form of policy advice, research and analysis and technical assistance. The work done by the Bank is focused at supporting the capacity development in the various countries it serves. There are 189 World Bank member countries and 28 other economies with populations of more than 30,000. Using the developmental data of these countries the World Bank classifies the economies. The main classifications done by the World Bank are classification done on the basis of geographic region, by income group, and by the operational lending categories of the World Bank Group. Recently there has been changes in the classification of economies for the current fiscal year based on the income group classification. The present study analyses the reasons and policy implications of the changes in the classification of the economies. It also studies the economic well-being of the country and the quality of life of people in those countries using the Quality of Life Index (QLI).

*Keywords: World Bank, Economic classification, Economic well-being, Quality of Life*

## Introduction

The classification of *country* or *economy* is done on the basis of geographic, income group and operational lending. The geographic classification is based on the regions used for administrative purposes by the World Bank and includes all economies. On the other hand the income group classifications include four income groupings: low, lower-middle, upper-middle, and high income economies. The measurement of income is done using the gross national income (GNI) per capita, in U.S. dollars, converted from local currency using the *World Bank Atlas* method. The economists based in World Bank country units provide estimates of the GNI and the World Bank demographers provide the size of the population. On July 1, every year the countries are reassigned to various income groups, based on the estimate of their GNI per capita for the previous calendar year. Income groupings remain fixed for the entire fiscal year (i.e., until July 1 of the following year), even if GNI per capita estimates are revised in the meantime.

Countries are also divided on the basis of operational policies of the World Bank into IDA, IBRD and Blend. International Development Association (IDA) countries are those with low per capita incomes that lack the financial ability to borrow from the International Bank for Reconstruction and Development (IBRD). Blend countries are eligible for IDA loans but are also eligible for IBRD loans because they are financially creditworthy. Other country groupings in World Development

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Indicators include OECD member countries, countries in the euro area, member states of the European Union, the UN Least Development Countries classification, and the World.

**Classification of Economic Regions by the World Bank**

All the economies of the World are classified by the World Bank into four main categories based on the Income levels. They are namely high, upper-middle, lower-middle and low income groups. The premise for this categorization is the GNI per capita which is calculated using the Atlas method. The Atlas method smoothens the exchange rate fluctuations by using a three year moving average, price-adjusted conversion factor. The World Bank makes use of the classification to aggregate data for groups of similar countries. The updation on the classification of the countries is based on two grounds other than just the income classification. Mainly factors like income growth, inflation, exchange rates, population change and GNI per capita affect the classification. Also, to keep up with the dollar thresholds the classifications for inflation is adjusted. Recently, there has been changes in the categorization of economies on the basis of income levels. Few economies have moved upwards from being low-income economies to middle or high income economies and vice-versa. In the present study, the factors, causes and policy implications of the same shall be analysed through qualitative and quantitative measures of assessing the economic well-being of these countries.

**Literature Review**

When the global economic inequality was rising for all the regions, Latin America showed that an inclusive growth path was possible. This demonstrated encouraging words not just for Latin America but for the rest of the World too (Milanovic, 2016). During the first decade of the 21st century Latin America saw a truly remarkable economic growth which was further aided with the declining inequality. However, the growth prospects of the region were reduced with lower commodity prices and slower growth in China. Several countries in the region then started facing the problem of transition to a new equilibrium, a "new normal". This typical situation was a result of the growth of domestic demand beyond that of output. It gives rise to questions like of the social gains of 2000s can be sustained or not? Will there be lower growth across the segments of the population or will slowdown put brakes on reduction of inequality?

The emergence of other factors like the conditional cash transfer programs, expansion of pension coverage, changes in household demographics have also played a role in reduction of inequality. The relative long term performance of the companies in reducing poverty is explained by the role played by inequality in mediating the relationship between economic growth and poverty reduction (Allwine, Rigolini and Lopez-Calva, 2013: Bourguignon 2002: Ravallion, 2015). In a study conducted by Chetty and Hendren (2015) the emphasis is laid on relating the inequality with social mobility.

Oxhorn & Jouve-Martín (2017) have considered the Latin American region to provide interesting insights into the global issue of being an unequal region. The region seems to witness a marked improvement in certain areas when other developing countries of the World still seem to linger on with the same set of problems which the region has been seeing for decades earlier. There has been marked improvement in areas like the attendance in primary and secondary education, access to electricity, health care, sanitation and dramatic reduction in poverty. A decline was seen in the Gini coefficient in thirteen out of seventeen countries in the Latin American region. The region has been known for inequality ever since the Europeans first set foot in the New World and has since then taken many forms. The history of the independent Latin America states was turbulent enough and was

further worsened by the issues of equality relating to law, political representation and citizenship.

The start of the twentieth century saw a redefining of the debate on inequality and the arrival of the Marxists. An increased ideological tone was adopted on key issues like those of exploitation, alienation and class struggle. Inequality is also considered as a complex and multidimensional phenomenon due to its subjective nature wherein there is a focus not only on inequality and inclusion but also on how it is perceived and construed by individuals, state and the media.

In the opinion of Genicom and Ray (2014), persistent inequality explains why poverty persists over time and the aspirations of groups at the bottom of the income distribution is removed too. Thus, the dissociation of income inequality as an outcome of inequality of opportunity is difficult. Social unrest and political turmoil too at times is an outcome of inequality (World Bank, 2014).

Speaking about the Middle East and North African region there has been a proliferation of research and academic institutions in the Arab countries. Though there are evolutions in the region the progress on the R&D and S&T front are not very encouraging. The region has seen developments in the past decade and there has been a hasty transition from centrally planned economies to structural adjustment policies including liberalization, privatization of state industries and cut backs on state welfare.

Despite the continuous sustained improvement and systematic development in economic growth, the region continues to have a poor competitive position in the global economy. The predominance can be seen in the form of income from rents and consumer-oriented industries over productive enterprise. Another problem is that of a limitation is the regional and national economic trade connectivity which blocks the economies of scale and regional economic integration. This further hampers the foreign investment. This thus is a main point of concern and results in tensions that hinder collaboration. The main threats to development can also be seen in weakness of representative, accountable, and democratic governments. Despite the mainstreaming of elections and other moves towards the liberalization of politics these were not able to consolidate into genuine democratic experiences (Arched and Craissati, 2000).

There has been widespread instability risks in the region along with concerns of political conflicts. This has furhter led to the absence of clear mechanisms for the transfer of power. The Arab-Israeli case have further resulted in raising concerns over prospects for peace and about its repercussions on sustainable economic and technological development.

Pierre-Marc and Andre (1999) have concluded in their study that economic liberalism should be balanced with not only social and economic justice but also with environmental protection to address the issues of sustainable development effectively.

The rising levels of corruption in the Eastern Europe and Central Asia region have led to an analysis of the reasons behind the same since they affect the life of people in the region quite adversely. Knack (2006) have assessed the varying levels of corruption in the Eastern Europe and Central Asian region. The analysis from the report indicates towards the differences in the aspects of corruption in terms of measurement, clarity and transparency of assessments. Aggregation of corruption does not produce an appropriate measure than using a single indicator or data source. Also, the changes in the levels of corruption should be interpreted in an extremely cautious manner. The study showed that using the data from BEEPS and WEF executive opinion surveys indicate that there is an improvement in the region in most but not all types of administrative corruption between 2002 and 2005. There have also been mixed set of opinions on the aspects of corruption emphasized by broad perception based

indicators. The changes in expert assessments are reflected in corrections rather than a belief that corruption has actually improved or worsened. The rankings provided by various sources show a convergence between 2002 and 2005.

### Rationale

There have been changes in the classification of few countries based on the new income groups. *Argentina, Croatia and Panama* have moved from upper middle income group countries to High income group countries. *Armenia, Guatemala and Jordan* have moved from lower middle income group economies to upper middle income group economies. On the other hand *Syrian Arab Repulic, Tajikistan and Yemen Republic* have moved downwards in the order from Lower middle income economy to low-income economy. Though these are income based changes affecting the status and functioning of these economies it has far reaching implications. In a way the rising income levels of an economy affect the living standards, purchase of white goods, increase in the use of services and information technology. Thus, the performance of the economies can be measured using these indicators which reflect the qualitative parameters. Hence, the study employs both the quantitative and qualitative factors to judge the performance of the economies and understand the reasons and implications for a change in the classifications done by the World Bank.

### World Bank Classification of Economies

The World Bank has its presence in many countries across the Globe. In order to have a focused approach the major regions in which the World Bank operates have been classified into six main clusters. These six clusters or regions in which the World Bank works are *Sub Saharan Africa, East Asia and Pacific, Europe and Central Asia, Latin America and Caribbean, Middle East and North Africa and South Asia.* Below is a detailed overview of these regions through aspects like population, economy, agriculture, trade and commerce, education, employment etc.

The **Sub Saharan Africa** has a moderate rate of growth which remains almost uneven and sees a considerable amount of variation across its countries. The economic growth of the region is steady and is estimated to pick up in 2018. There are few political transitions which have opened up but inspire of that the implementation of reforms is gradual and cautious. The prospects for growth have improved in the country due to improved agricultural conditions. However, there are few challenges like rising rate of public debts, scarcity of good jobs. Also, the per capita GDP growth rate of the country inspire of being positive is insufficient to reduce poverty.

The **East Asia and Pacific** region is expected to be strong in 2018. The growth in 2017 was much faster than expected and now in 2018 it is expected to slow down a little bit as the economy rebalances away from investment and focuses on policies which focus in credit expansion and overall improvement in the quality of life. There was a considerable decrease in the poverty figures in the region between 1990 to 2013. Increase in income, decrease in unemployment, structural transformations and public investments have further contributed to the same. In few countries though significant portion of the people remain poor and perception of people is that inequality is rising.

The **Europe and Central Asia** region was experiencing robust GDP growth in 2017, being much faster than at any time since the global financial crisis a decade ago. Talking about the deceleration of growth rates, it remains to be modest though a sharper correction remains to be done. In the case of a sharper than expected slowdown fiscal stimulus is an option in several countries.

The **Latin America and Caribbean** region have seen a gain in the social progress and economic recovery can be witnessed with a reduction in poverty and boost in prosperity. Two largest economies

of the region Brazil and Argentina have majorly contributed towards a growth in the region. Though there is historic expansion in higher education, quality and efficiency are areas where still much remains to be done.

The **Middle East and North Africa** region has seen few positive developments in the past like social and economic reforms ranging from Egypt to Saudi Arabia. Growth has seen an upsurge and is expected to further strengthen over a period of time. All countries in the region are working towards a reduction in the poverty and expanding social safety to cover up the poor from adverse effects of change. However, the setbacks in the region like wars and conflicts take a huge toll on the lives of people and infrastructure. The positive global outlook has resulted into a stabilization of policies and reforms. Fiscal and external imbalances are expected to lower down with stabilization policies, reforms and foreign receipts.

The **South Asia** region is expected to grow fast in the region reflecting immense improvement in the region. There is a moderating recovery in the economy and global trade and tightening of financing conditions. Domestic demand in the region remains the main condition of economic growth. Growth rates reflect stronger private spending and growth in exports.

Out of these various countries falling in these clusters the changes can be seen only in the countries *Argentina, Croatia, Panama*, *Armenia, Guatemala, Jordan*, *Syrian Arab Repulic, Tajikistan and Yemen Republic.* Below is the regional classification of these economies. For the purpose of making a regional analysis these economies are classified region-wise. Interestingly, out of the six cluster classification done by the World Bank of emerging economies the trend of promoting or demoting a country can only be seen in the three clusters, namely **Latin America & Caribbean, Europe & Central Asia and Middle East and North Africa**

| Table 1: Change in the classification of Economies based on the Income Levels | |
| --- | --- |
| *Name of Country* | *Name of the Regional Cluster* |
| Argentina | |
| Guatemala | Latin America & Caribbean |
| Panama | |
| Armenia | |
| Tajikistan | Europe & Central Asia |
| Croatia | |
| Syrian Arab Republic | |
| Jordan | Middle East and North Africa |
| Yemen Republic | |

**Research Methodology**

The study analyzes the performance of the countries in terms of not just the measurable or quantitative variables but also in terms of the qualitative variables. This is so because the quantitative variables alone do not give an exact opinion about the health of an economy and hence the role of qualitative variables also comes into picture.

**1. Introduction of Variables**

In order to carry out the study from the quantitative and qualitative aspect both the Quality of Life Index (QLI) is computed making use of variables like ICT goods exports (% of total goods exports), Manufactures exports (% of merchandise exports), Government expenditure on education, total (% of GDP), Individuals using the Internet (% of population), Trained teachers in secondary education

(% of total teachers), Progression to secondary school (%),Firms that spend on R&D (% of firms), Rural population growth (annual %) etc.

### 1.1. *Construction of QLI*

The construction of the Quality of Life Index (QLI) is done taking into consideration the variables which affect the standard of living of people in a country. These indicators in a way are reflective of the well-being of the people in terms of spending made on exports, education, imports etc.

The following table mentions the various variables which were taken into consideration in the construction of the Quality of Life Index.

**Table 2: Determinants of Quality of Life**

| | |
|---|---|
| High-technology exports (% of manufactured exports) | Merchandise trade (% of GDP) |
| Manufactures exports (% of merchandise exports) | Urban population growth (annual %) |
| ICT goods exports (% of total goods exports) | Rural population growth (annual %) |
| Food exports (% of merchandise exports) | Population growth (annual %) |
| Government expenditure on education, total (% of GDP) | Trained teachers in primary education (% of total teachers) |
| Individuals using the Internet (% of population) | Primary completion rate, total (% of relevant age group) |
| Trained teachers in secondary education (% of total teachers) | Literacy rate, adult total (% of people ages 15 and above) |
| Trained teachers in lower secondary education (% of total teachers) | Tax revenue (% of GDP) |
| Progression to secondary school (%) | Unemployment, total (% of total labor force) (national estimate) |
| School enrollment, secondary (% gross) | Inflation, consumer prices (annual %) |
| Firms that spend on R&D (% of firms) | Services, value added (% of GDP) |
| Poverty gap at national poverty lines (%) | Exports of goods and services (annual % growth) |
| Trade (% of GDP) | Gross national expenditure (% of GDP) |
| Imports of goods and services (annual % growth) | Foreign direct investment, net inflows (% of GDP) |
| Gross capital formation (annual % growth) | Current account balance (% of GDP) |
| Foreign direct investment, net outflows (% of GDP) | Trade in services (% of GDP) |

**The QLI can be expressed in the following manner.**                    **(5)**

$$QL_{t,i} = \frac{QL_{t,i} * 100}{QL_{t-1,i}}$$

where,

$QL_{t,i}$ = Quality of Life for variable i and time t

i = variables depicting quality of life

Further, the QL thus calculated is converted into an QLI index number as follows:-

$$QLI_t = \frac{\sum_{i=1}^{n} QL_{t,i}}{n}$$

Thus, a "QLI" value was obtained for each cluster for each year in the sample.

## 2. Description of Sample

The countries for the study were divided into various clusters. The World Bank has classified the economies in a region into six major clusters. These clusters are East Asia and Pacific, Sub Saharan Africa, Latin America and Caribbean, Middle East and North Africa, Europe and Central Asia and South Asia

### Table 3: Classification of Clusters

| |
|---|
| **Cluster 1 - East Asia and Pacific** |
| **Cluster 2 - Sub Saharan Africa** |
| **Cluster 3 - Latin America and Caribbean** |
| **Cluster 4 - Europe and Central Asia** |
| **Cluster 5 - South Asia** |
| **Cluster 6 - Middle East and North Africa** |

Few economies recently have undergone a change in the classification of the economies by the World Bank on the basis of income levels. The income level classification of the World Bank is basically done on the basis of four income groups – high, upper-middle, lower-middle and low. This is based on the GNI per capita calculated using the Atlas method. These economies fall in the three clusters out of these six clusters classified by the World Bank. Hence, changes can only be observed in three clusters and thus they were used in the study. These three clusters namely are **Latin America & Caribbean, Europe & Central Asia and Middle East and North Africa.**

## 3. Calculation of Variable for the Clusters

The variables mentioned in Table 1 are used for estimating the Quality of Life Index. The time period of the study is 2000 to 2017. The data is normalized to bring all the countries to a

comparable position. For the purpose of the same the first values of all variables are considered as 100 and the following values are drawn out proportionately. Then for all the years ranging from 2000 to 2017 the values of all the 32 variables are added for each year. Likewise, the same procedure is followed for all the years from 2000 to 2017. Thus the summed value which emerges is the Quality of Life Index constituted for all the years.

## Results and Analysis

### 1.1 Results of Descriptive Statistics

| Table 4 : Descriptive Statistics for the three Clusters | | | | |
|---|---|---|---|---|
| Name of the Country | Quality of Life Index | | | |
| | Mean | Min | Max | Std Dev |
| Europe and Central Asia | 2894.69 | 1369.76 | 3423.67 | 478.49 |
| Latin America and Caribbean | 4390.37 | 2400 | 5449.51 | 822.31 |
| Middle East and North Africa | 3421.79 | 463.49 | 5201.01 | 1262.63 |

Out of the six main regional classification three regions have witnessed a change in the status of the economies and have seen a change in the classification.

### 1.2 Regional Analysis of QLI

### 1.2.1 Europe and Central Asia

*Three countries in the Europe and Central Asia region have seen a change based on the income levels of those economies. The region has witnessed a major upliftment in the status of the two economies mainly Armenia and Croatia but Tajikistan with its poor performance has led to a set back and resulted in a huge variation in the minima and maxima values of QLI for the region.*

**Armenia** which was basically a lower middle income group economy has moved to the category of upper middle income group economy. The GDP figures in Armenia has outperformed the expectations and has seen the highest growth since the past decade at 7.5% after a laid back economic performance in 2016. Behind the GDP were reasons like a good recovery in the external environment and rebound in the domestic demand. Higher income and improved remittances helped in consumption. Production side growth too saw a significant increase in 2017 driven by trade (16%), industry (10%) and services (9%). Construction sector too saw a modest growth at 3%. Overall economic growth grew over 9% year on year. The economic recovery led to a reduction in the rates of poverty since the global economic crisis. The overall positive economic outlook indicates towards a room for opportunities and acceleration towards making Armenia an export driven economy which is sustainable over the medium term. Agribusiness, tourism and ICT are the sectors which deliver solid growth and hence increase competitiveness.

The World bank which is partner to Armenia since last 25 years have seen a period of sustained history of sectoral investments and policy reforms. The Country Partnership Framework for 2018 -2022 supports the rebalancing in the economy over a new growth model. The key engagement of Armenia is also into the Seismic safety of the schools a main priority. The Armenia National Disaster Risk Management Program (NDRMP) has supported the effort by putting in some technical guidelines for reconstruction of schools and working towards training government officials and private contractors. An e-learning module also is being prepared aimed at strengthening preparedness for management of disasters. Another project on which the country has done well is the e-Society and Innovation for Competitiveness (EIC) focused upon making the economy a knowledge oriented one. It has deepened the internet penetration and access to IT among the people of Armenia and fostering the country towards becoming a knowledge intensive economy. Around 344 villages have benefited from the same. The Digital Citizen program has ensured internet security by establishing a certificate authority.

**Croatia** has moved up the ladder from being an upper middle income group country to High income group country. The potential growth rate of the country could be improved by boosting the private sector productivity and competitiveness. This has not only helped in the reforming of the regulatory framework but has also helped in increasing the quality of human and physical capital and a modernization in the public services. Exports in the country were a major reason for the growth and was mainly contributed by tourism. It has become a member of the European Union in July 2013. Strong contribution to growth was also contributed by private consumption and supported by favorable labor market developments. Economic recovery in the country was helpful in improving the employment scenario and led to an overall decline in the rate of unemployment. Even with this the poverty rate was further brought down from 7.3% in 2013 to 5.8% in 2015. Budget surplus further contributed to fiscal consolidation in 2017.

The overall economic outlook for the country in 2018 indicates towards a better absorption of EU funds which further gives boost to the overall investment spending and a raise in the economic growth in 2019-2020. Also, the government balance is expected to further stay in surplus. The absolute poverty rates are expected to see a decline in 2020 to 4%.

**Tajikistan** on the other hand has witnessed a downward trend from being a lower middle income economy to low-income economy. Non-monetary deprivations in the country are widespread. The poor quality of key public services like electricity, water, heating and roads as these directly have an adverse effect on the quality of life of the country. As per the statistics of the World Bank only three out of four people in Tajikistan have access to an improved water source which is a primary thing needed for good health. In order to achieve higher growth Tajikistan needs to implement a deeper structural reform. This should reduce the role of state and increase private investment and generate more jobs. The basic public services should be modernized in order to achieve efficiency and the connectivity of the country should be increased in order to get global access and knowledge. The country does not provide a very friendly environment with respect to doing business since the obstacles posed to Foreign Direct Investment further discourages private investment. Also, the GDP which averages around 15% is low by both national and international standards. Lack of infrastructural facilities, unreliable supply of energy and a burdensome tax policy further are the main obstacles.

### 1.2.2 Latin America and Caribbean

*In the case of Latin America and Caribbean the highest value of QLI can be seen out of the three clusters. This is because of the overall good financial health of the region and all the three economies in particular. The minima and maxima values of QLI for this particular region also is very good. Thus, the overall qualitative well-being of these economies is much better in comparison to the other two clusters. Opportunities in manufacturing and innovative IT services combined with sustainable economic development is the reason for the same. Also, Panama is one of the most promising economy being the fastest growing economy of the World.*

**Argentina and Panama** have moved from upper middle income group countries to High income group countries.

**Argentina** with its vast natural resources in energy and agriculture, fertile lands and a huge potential for renewable energy is one of the largest economies in Latin American region. Presently the economy is undergoing huge transformations which have resulted in promoting sustainable economic developments with social inclusion and integration into the global economy. Significant opportunities in the manufacturing and innovative IT services too lay for the country. Speaking about poverty Argentina was the top performer in the region when it comes to a reduction in poverty. Further, the country prioritized on social spending too and adopted programs like Universal Child Allowance to do the same. The economic policy worked towards implementing reforms like the unification of exchange rates, modernization of import regime, reduction of inflation and reform of national statistics system.

**Panama** being one of the fastest growing economy worldwide has an average growth rate of 7.2% which is more than double the average of the region. The growth of Panama is likely to remain one of the highest in the region. The construction of metro is also planned in the region and with it the public investments will also remain high. Emerging opportunities for private sector led growth like in transport, mining, financial services etc. have further come up. The country has made remarkable progress towards the reduction of poverty. According to the international poverty line of US$4/day, the country has seen a reduction of 21-17% between 2011 and 2015. Not just this, the economy has been able to generate 280 thousand new jobs too. Inspire of this, some regional disparities too remain in rural areas inhabited by indigenous people. However, the country is working fairy towards the twin objectives of ending poverty and boosting growth. The country hence has to work towards sustaining growth by addressing some structural constraints.

**Guatemala** which was a lower middle income group economy has moved to upper middle income group economy. Keeping in mind the macroeconomic management and an increase in the GDP rate the country has emerged as the strongest economic performer in the region. The economy of the region has seen a growth by 3.2% in 2017 and it is further expected to improve in the region. The country has one of the highest rates of inequality in the region when it comes to poverty, malnutrition and maternal-child mortality rates in rural areas. Anyhow, given the capacity of the country to improve macroeconomic recovery there remains an opportunity towards reduction of poverty in the region. The growth should be boosted with a continuous effort towards improving reforms to mobilize investment and revenue to fund investments in infrastructure and human capital.

### 1.2.3 Middle East and North Africa

*In Middle East and North Africa a lot of variation can be seen in the figures of the QLI. The lowest value of the QLI being 463.49 and the highest value being 5201.01 is reflective of the*

*huge variation which can be seen in the economic health of the countries in this cluster. Thus, the cluster sees a huge variation Jordan being the best performing economy due to the structural reforms in education, health, privatization and liberalization. The sound economic policies for the country has further helped in building a strong edifice for the country. The lowest value of QLI in the region is attributable to the poor performance of Syrian Arab Republic and Yemen Republic. Violent conflicts, lack of good health facilities makes living in Syrian Arab Repulic difficult. Likewise, lack of sanitation, education and social crisis makes it difficult to sustain a good quality of life for Yemen Republic.*

**Jordan** has moved from lower middle income group economy to upper middle income group economy. The structural reforms pursued by Jordan in education, health and privatization and liberalization have led to the development of the country. The social protection systems and subsidies have created conditions for public and private partnerships in infrastructure and tax reforms. The Extended Fund Facility approved by the IMF Board of Directors has further given support to the economic and social reform program of the country. The vulnerability to external shocks can be reduced by sound economic policies and growth related reforms. Job related growth can further be increased by improving private investment.

*Both Syrian Arab Repulic and Yemen Republic* have moved downwards in the order from being a lower middle income economy to low-income economy.

**Syrian Arab Repulic** has witnessed violent conflicts which end up taking a heavy toll on the lives of people. This estimates by UN indicate that 250000 people have died while other sources have reported deaths to 500000 with injuries figures going up to 1.2 million people. With these conflicts the social and economic impact too are high. The country has lack of access to health, education, housing and food which has pushed millions of people into poverty and unemployment. Decline in oil receipts and trade disruptions have further put pressure on the external balances of the country and depletion in international reserves.

**Yemen Republic** faces a situation of unprecedented humanitarian, social and economic crisis. Basic amenities like food, access to safe water and sanitation, healthcare and diseases requires humanitarian assistance. Even the salary is not been paid regularly to public workers which has further complicated the situation. There is prolonged conflict in the region due to which people are deprived of both livelihoods and jobs leading to poverty levels going high.

**Conclusion**

In the case of **Armenia** the strong economic performance in 2017 has paved way for making the growth inclusive and sustainable in the medium term. Backed by the sustained favorable external economic conditions and structural reforms the medium term reform is expected to be around the potential growth rate of 4%. Solid growth is expected to be delivered by agribusiness, ICT and tourism as is an increase in competitiveness and connectivity. Inflation is expected to edge up. Further, an implementation of upgraded fiscal rule will result into disciplined approach towards current spending and will provide growth friendly capital expenditures also lowering down the public debt.

World Bank is helping **Croatia** by providing it with lending and technical assistance. The

country is still in vulnerable state due to interest rate shocks and worsening external financing conditions. A strong structural reform agenda is very much required in order to cope up with a low growth. Private sector productivity and competitiveness can further be improved by addressing issues like economic, social and institutional weaknesses. This will also help in improving the quality of human and physical capital and in modernizing the public services.

**Argentina** has contributed towards its up gradation in all terms by implementing core reforms. Further, it has also, taken an active role on the international stage as the country assumed presidency of G 20. It has also expressed intention to join the OECD and has become the observer of the Pacific Alliance. The Government plans a gradual convergence to a primary fiscal balance by 2021.

**Panama** is addressing issues related to structural constraints but still has to continuously keep addressing priority structural areas since that can hamper the growth in the coming years. Such sectors include infrastructure, education and skills and effectiveness of public institutions. The strategic five year plan of the Government is dependent upon the pillars of inclusion and competitiveness and has themes like enhancing productivity and diversifying growth, improving quality of life, strengthening human capital, improving infrastructure and improving environmental sustainability.

**Guatemala** has to work towards its inequality rates and poverty rates through policy reforms aimed at medium and long-term social objectives. The development goals of the country can be achieved through public investment. However, a crucial point to look after is security of citizens since the country has a very high rate of crime and violence which further staggers the economic costs for the country.

In **Jordan** there remains scope towards enhancing the investment climate and comfort of doing business in the region which may give concrete results. Also, the shocks emerging from Syria and Iraq affects adversely the country. Syrian refuges in the country have a strong impact on the economy and social fabric of the country. Challenges like unemployment and dependency on grants and remittances from Gulf economies put a pressure on the economy. Further, to reduce the macroeconomic vulnerabilities of the region it shall be critical for Jordan to diversify the supply of energy in the medium term.

In the case of **Syrian Arab Republic,** keeping in mind the need of developments and improvement the World Bank provides support to the country through technical assistance and advisory services. It also monitors the impact of conflict on the people and economy. It even dialogues with the international community to make sure it is ready to support post conflict recovery efforts. Two recent analyses have been carried out to study the impact of Syrian conflict, namely Damage Assessment and Economic and Social Impact Analysis called the Toll of War.

**Yemen Republic** has been provided with support towards needs for recovery and reconstruction. The World Bank in partnership with the KSA, UK, US and EU aims at transforming the program towards rebuilding of infrastructure and improvement in the key public services. In order to create jobs for the youth there should be greater transparency, efficiency and accountability in the use of resources.

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