Cities that Work

REALIZING THE JOBS POTENTIAL OF MENA'S CITIES

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Acknowledgments

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World Bank Group colleagues provided rich inputs and recommendations to strengthen the report. Peer reviewer comments were provided by Nancy Lozano Gracia, Program Manager; Megha Mukim, Lead Urban Specialist; and Thomas Farole, Principal Economist. The team further wishes to thank Johannes Koettl-Brodmann, Senior Economist, for providing valuable comments on behalf of the Middle East, North Africa, Afghanistan, and Pakistan People Department. Carli Venter, Senior Urban Specialist; Douglas Zeng, Senior Economist; Ruvejda Aliefendic, Senior Private Sector Specialist; and Felipe Walter, Senior Urban Specialist, reviewed case studies.

The report was edited by Tabrez Altaf Ahmed and Priya Susan Thomas and designed by Estudio Relativo.

The team gratefully acknowledges the financial support provided for the report by the Swiss State Secretariat for Economic Affairs (SECO), via SURGE, a World Bank managed Umbrella Program financed by SECO; Austria's Ministry of Finance; the Korean Ministry of Land, Infrastructure and Transport (MOLIT); the Korean Research Institute for Human Settlements (KRIHS); and the European Commission (EC), aimed at enabling cities and regions in developing countries to function as drivers of sustainable and inclusive economic development.

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Acronyms

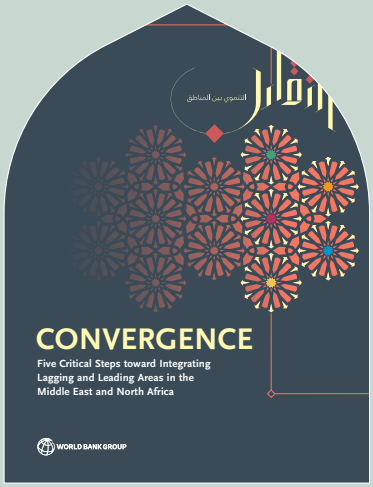
ACI	Agency for Cooperation and Investment
AI	Artificial Intelligence
ALMP	Active Labor Market Policy
EAP	East Asia and the Pacific
EDU	Empresa de Desarrollo Urbano
EPM	Empresas Públicas de Medellín
EU	European Union
FCV	Fragility, Conflict, and Violence
FDI	Foreign Direct Investment
FUA	Functional Urban Area
GCC	Gulf Cooperation Council
GCR	Greater Cairo Region
GDP	Gross Domestic Product
GHS-FUA	Global Human Settlements - Functional Urban Areas
GHSL	Global Human Settlements Layer
GRADE	Global Rapid Post-Disaster Damage Estimation
HERO	Hyogo Awaji Economic Revitalization Organization
IDP	Internally Displaced Person
ILO	International Labour Organization
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MENA	Middle East and North Africa
MENAAP	Middle East, North Africa, Afghanistan, and Pakistan
MIGA	Multilateral Investment Guarantee Agency
NCD	Noncommunicable Disease
OECD	Organisation for Economic Co-operation and Development
OIZ	Organized Industrial Zone
PES	Public Employment Services
PPP	Public-Private Partnership
QoS	Quality of Service
STI	Science, Technology, and Innovation
UAE	United Arab Emirates
UCDB	Urban Centre Database
WBES	World Bank Enterprise Surveys
WBG	World Bank Group
WDI	World Development Indicators

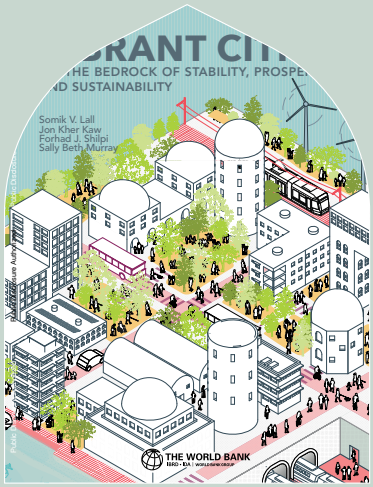
PHOTO: Miltiadis Fragkidis on Unsplash

What's New?

This report presents new analytics and policy insights building on prior regional analytics to reposition Middle East and North Africa (MENA) cities as engines of more and better job creation.

Building on Prior Analytics





Convergence: Five Critical Steps toward Integrating Lagging and Leading Areas in the Middle East and North Africa (2020). This report laid essential groundwork by diagnosing the institutional constraints—fragmented cities, low labor mobility, and centralized and distorted policy regimes—that prevent lagging areas from catching up with leading ones across MENA. It zooms into the city as the unit of analysis and action, identifying the specific levers through which urban economies can generate more and better jobs.

Vibrant Cities: On the Bedrock of Stability, Prosperity, and Sustainability (2023). This report examined the dynamics of climate resilience, inclusion, and productivity in MENA's cities. On productivity, it examines how low shares of tradable employment, congested connectivity, uncontestable labor markets, and a capital-density mismatch appear to blunt the productivity gains normally associated with urbanization. The present report builds directly on these foundations but advances the agenda in several important ways: with new data and analytics, new case study evidence, and a new razor focus on jobs.

New Analytics

The report grounds the jobs agenda in rigorous data analysis and new case study evidence:

Global benchmarking of urban performance - A new dataset covering 615 MENA cities—representing 62 percent of the region's population and 100 percent of its urban population—benchmarks MENA cities' economic performance against 8,426 cities worldwide. This analysis assesses the relative productivity dynamics of functional urban areas (FUAs) across and within the region to identify where higher urban productivity could support more and better jobs and what policy levers can help close the gap.

Private sector diagnostics - Drawing on the World Bank Enterprise Surveys (WBES), the report examines the binding constraints facing firms across MENA and highlights priority reforms to unlock private sector-led job creation.

Digital capacity assessment - An analysis of broadband coverage and quality of service in FUAs of Algeria, Morocco, and Tunisia using Ookla Speedtest Intelligence® data, which provides 146 million individual speed test results from January 2018 to December 2024, sheds light on cities' digital connectivity as a driver of firm performance and workers' access to fast-growing digitally deliverable employment.

International case studies - Research on five global cities that successfully transformed their urban economies distills lessons on policies relevant to MENA cities and sequencing that enabled sustained productivity and employment growth.

Novel Policy Insights

Building on these analytics, the report advances the jobs agenda through a distinct urban lens:

A laser focus on jobs - By 2050, nearly 300 million young people in MENA will be seeking employment. With regional youth unemployment already at 24.8 percent, expanding job opportunities is both an economic imperative and a foundation for social stability and prosperity. The report frames all findings around their relevance to generating more and better jobs.

Cities as strategic entry points - While national policies remain essential, local factors—such as land use, affordable and rental housing markets, infrastructure, service delivery, and business climate—also directly shape firm productivity and employment outcomes. Cities concentrate people (over 60 percent of the region's population), firms, infrastructure, ideas, and capital—and with them, the region's greatest potential to raise productivity and create jobs at scale.

Tailored recommendations across city typologies - Recognizing the diversity of MENA's urban systems, the report provides differentiated policy guidance across city typologies and sizes, particularly larger and smaller cities, drawing directly on the report's new empirical evidence.

An integrated urban-focus policy framework across four pillars - The report identifies urban policy levers that support job creation under the following four mutually reinforcing pillars:

PHOTO: Sid Ahmed SAOUD on Unsplash

Productive Density Matching foundational infrastructure and services to population and firm needs to drive productivity

Market Connectivity Strengthening urban links to domestic and international markets

Attractiveness to Investment and Talent Enhancing urban livability and the business environment to attract investors plus skilled and low-skilled labor

Public-Private Coalitions Fostering private sector engagement and effective inter-sectoral collaboration to implement high-impact reforms.

PART

1

MENA'S URBAN OPPORTUNITY

PHOTO: Salman Sidheek on Unsplash

1.1 MENA Cities: A Solid Platform for Growth and Jobs

Boosting job creation and job quality is imperative in the MENA region. MENA has a large, young population: Almost half the region's population—250 million people—are under the age of 24 (ILO Regional Office for Arab States, UNICEF Regional Office for MENA, and ETF 2023). MENA is one of only two regions where the youth labor force is projected to increase from 2023 to 2050 (ILO 2024), with nearly 300 million youth projected to enter its labor market in the next 25 years (Onder et al., 2025). Yet despite some improvement, MENA today has one of the world's highest urban youth unemployment rates, at 25 percent in 2023 (nearly double the global average) (ILO 2024). Against the pressing need for jobs, firm job creation rates have been relatively slow (averaging 2.1 percent per year, compared to the upper-middle-income country average of 4.3 percent[1]) (Figure 20), and more than half of the jobs are informal.[2] Creating more and better jobs is rightly at the center of development strategies in the region.

Many MENA countries have strong foundations for job creation, starting with a skilled workforce. The region's young labor force represents both an opportunity and a challenge. Female labor force participation rates—while currently low—represent enormous, untapped potential. Human capital accounts for around 60 percent of the global gross domestic product (GDP) per capita variation (Jedwab et al. 2023), and MENA's education levels are high, with 43 percent of women and 39 percent of men

NOTE ON THE DEFINITION OF THE MENA REGION IN THIS REPORT

In alignment with MENA Economic Updates published until 2025, this reports defines the MENA region as: Algeria, Bahrain, Djibouti, Egypt, the Islamic Republic of Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, the United Arab Emirates (UAE), West Bank and Gaza, and Yemen. The Maghreb is classified as Algeria, Libya, Morocco, and Tunisia; the Mashreq as Egypt, the Islamic Republic of Iran, Iraq, Jordan, Lebanon, Syria, and West Bank and Gaza; and the Gulf Cooperation Council (GCC) as Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE. In 2025, Afghanistan and Pakistan were added to the World Bank's MENA region, which became the "Middle East, North Africa, Afghanistan, and Pakistan" (MENAAP) region. The core analytics of this MENA cities report were completed before this change. Results for Afghanistan and Pakistan (see Annex 2) show substantial diversion from the results observed for the former regional scope, and hence are included separately in Annex 2.

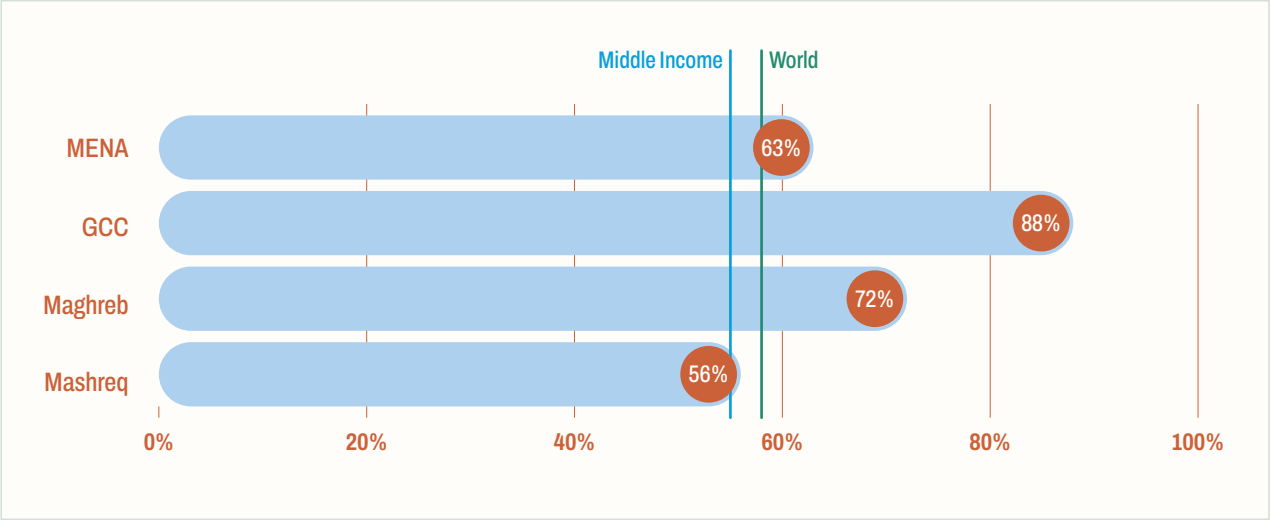
1 WBES data, 2020–2024, covering 70 countries. Firm-level data aggregated using sampling weights. https://www.enterprisesurveys.org.

2 Simple average based on the most recent International Labour Organization (ILO) data, which covers Egypt, Jordan, Lebanon, and Tunisia. Source: Work Statistics, 19th ICLS (WORK) database, ILOSTAT, accessed February 10, 2026, https://ilostat.ilo.org/data/snapshots/informal-employment-rate/.

enrolling in tertiary education (Dione et al. 2025). Many MENA cities have respected higher education systems that produce graduates in engineering, technology, and business fields.

Much of the job growth that MENA needs will take place in cities. Cities concentrate most of MENA's population, including almost 90 percent in the GCC and over 80 percent in Jordan, Lebanon, and Libya. Urbanization in the Mashreq (at 56 percent) is slightly below the global average, driven by lower urbanization rates in Egypt and Syria, while other Mashreq countries are 72–92 percent urbanized (Figure 1).

FIGURE 1: URBAN POPULATION SHARE (2024) BY REGION



NOTE: Figures represent the total urban population of each region as a percentage of its population.

SOURCE: Based on World Development Indicators (WDI).

Cities concentrate not only populations but also industries key to future job creation in MENA. Economic diversification and increasing domestic value addition are priorities for more robust job creation in the region (see, for example, Egypt's Vision 2030; Saudi Arabia's Vision 2030; Gatti et al. 2025; Kireyev 2021; World Bank 2023). One critical component will be the knowledge economy, where "[m]ore than traditional industries, the knowledge economy has an inherent tendency toward geographical agglomeration" (in cities), due to its need for thick labor markets, proximity to capital and knowledge ecosystems, and knowledge spillovers (Moretti 2013). Boosting international tradables will also be key, and much of the region's large trade and logistics infrastructure is concentrated in or near urban areas, making cities essential platforms for external trade. Of the urban population studied in this analysis, 38 percent live in coastal cities, including in major port cities along the Mediterranean Sea and the Red Sea that provide direct access to trade with large European and Asian markets. Urban areas also play a critical role in tourism—a key growth industry—both as attractions (such as cultural heritage) and as gateways to attractions, through their hosting of hotels, restaurants, tour agencies, travel hubs,

and so on. Beyond these industry-specific trends, it is well established that, when managed well, cities generate 'agglomeration economies'—the benefits that arise from the clustering of firms and people—that boost productivity and in turn growth and job creation (Box 1).

BOX 1. AGGLOMERATION ECONOMIES: THEORY AND EVIDENCE

The agglomeration benefits that arise when firms and people geographically cluster have been codified as "sharing, matching, and learning" (Duranton and Puga 2004). First, fixed costs and risks are *shared* between more people and firms, lowering per capita costs and risks. Second, large, diverse labor markets allow better *matching* of workers to firms, while firms also benefit from diverse local suppliers of intermediate goods and services. Third, interactions among firms and workers support innovation and the diffusion of knowledge (*learning*), raising efficiency. Firms can specialize more and produce at scale in large, well-connected cities, further improving efficiency.

Reflecting these agglomeration economies, urban areas account for about 80 percent of GDP globally. Labor productivity growth accounts for more than three-quarters of the variation in income growth per worker globally since 1990 (World Bank forthcoming a), and in developing countries, wages and labor productivity increase by an average of 5.5 percent as urban density doubles (Quintero and Roberts 2023). Urban population shares are positively associated with per capital GDP globally. This reflects both agglomeration economies and the structural transformation from agrarian to more manufacturing and services-oriented economies that tends to go hand-in-hand with urbanization.

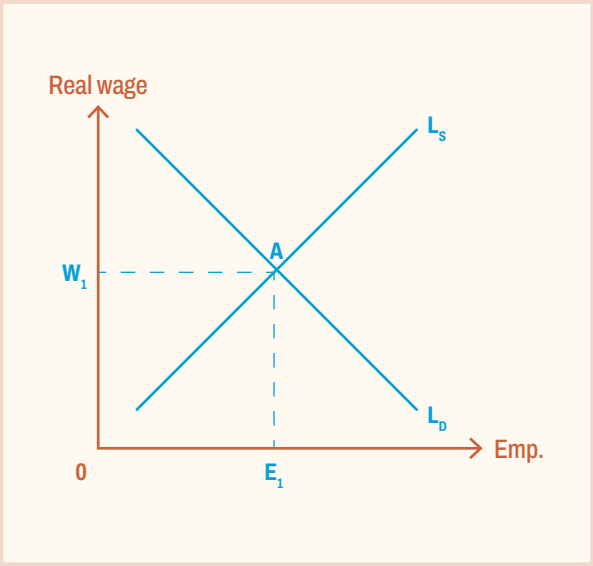
In the long run, raising productivity is key to delivering more and better jobs. In the past two decades, productivity growth has been relatively slow in MENA (Figure 21). Raising productivity raises the value each worker creates to support higher wages and also expand labor demand (Box 2). This relationship is not just theoretical: globally, increases in labor productivity have accounted for more than three-quarters of income growth per worker between 1990 and 2019 (World Bank forthcoming a). However, the strength of the employment response depends on complementary conditions (elaborated in Box 12), which urban policy can affect. Workers must have the requisite skills and geographic mobility to fill new roles in new places, and inactive labor must be able to join the labor force flexibly as labor demand rises—particularly among the women and youth in MENA, where participation barriers are among the highest globally. Productivity growth also takes many forms, and not all create more or better jobs for all types of workers: Active labor market policies (ALMPs) may be needed to spread benefits to underserved groups, and even to manage short-run job losses. This is why the report's Attractiveness pillar addresses not only the urban drivers of productivity but also the urban labor market and human capital conditions that determine how fully those *productivity* gains translate into more and better jobs for all.

BOX 2. LABOR SUPPLY AND DEMAND: INCREASED PRODUCTIVITY RAISES BOTH EMPLOYMENT AND WAGES

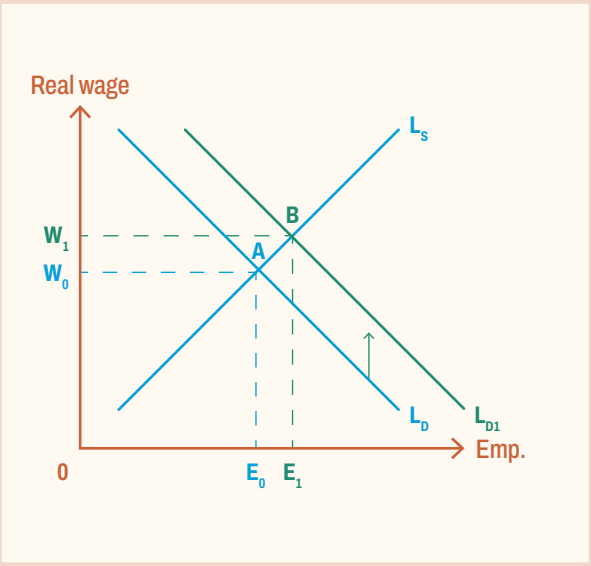
Raising urban productivity supports both higher employment and higher wages. When workers become more productive—producing more value per hour worked—employers can afford to pay higher wages and hire more workers, while workers earn more for their efforts. Figure 2, Panel (i), illustrates this dynamic. The downward-sloping line shows that as wages rise, workers supply more labor, but employers demand less labor (they hire fewer workers). Initially, the market is at equilibrium (labor supply meets labor demand) at point A, with wage levels of W_1 and employment levels of E_1. But when labor productivity increases—perhaps through better technology, improved skills, or more efficient processes—employers can afford to pay more for each worker because each worker generates more value. This shifts the labor demand curve outward (from L_D to L_{D1}), leading to both higher wages (W_0 to W_1) and more jobs (E_0 to E_1).

FIGURE 2: LABOR SUPPLY AND DEMAND AS A FUNCTION OF WAGES

PANEL (I)



PANEL (II)



NOTE: The figures show labor supply (L_S) and labor demand (L_D) as a function of real wages (W). Panel (i) represents a baseline equilibrium wage (W_1) and employment level (E_1). The red line in Panel (ii) represents a right shift in labor demand (from L_D to L_{D1}) resulting from increased labor productivity. This raises both employment (E_0 to E_1) and wage levels (W_0 to W_1).

SOURCE: Original illustration for this publication.

However, some important nuance to this picture is warranted.

- How much of the productivity gain shows up as new employment versus higher wages depends on how readily labor supply expands in response—a point explored further in Box 12.
- In the short term, higher productivity may lead to some job losses as firms are able to produce the same amount of output with fewer workers. However, this is more than offset by the longer-term stimulation to product and labor demand in the long run, under reasonable assumptions (Roberts 2003).

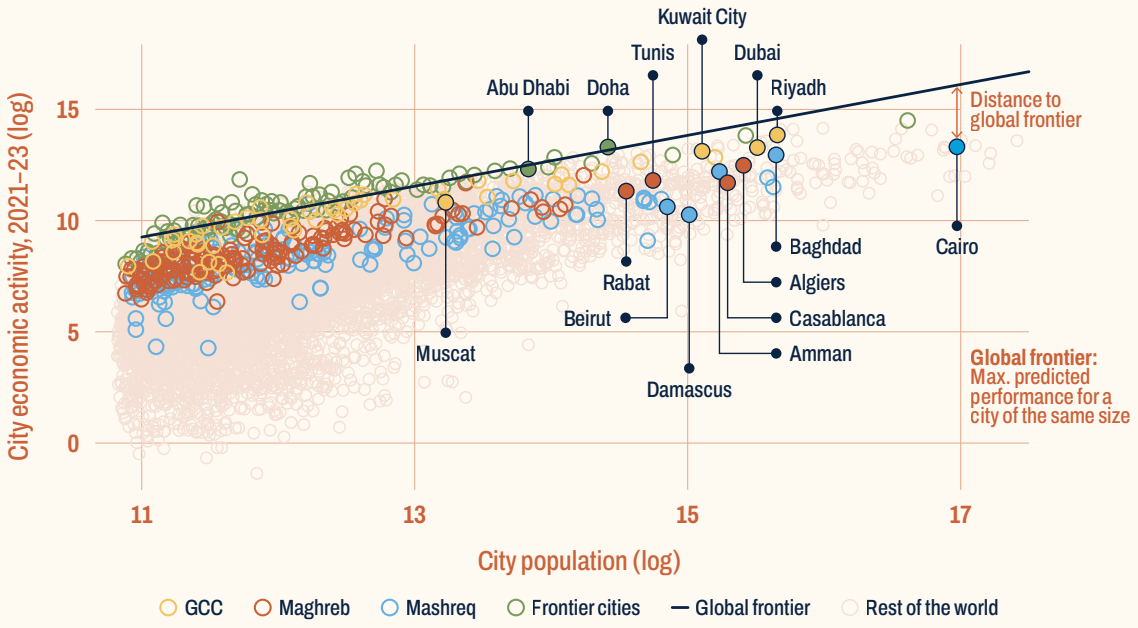
PHOTO: Chermiti Mohamed on Unsplash.

Given the importance of productivity for more and better jobs, this report systematically benchmarks the productivity of MENA cities against global top performers of the same size, to understand cities' comparative performance. The absence or deficiency of spatially disaggregated job data in the MENA region and globally is a major constraint to benchmarking MENA cities' jobs performance against global peers. Instead, the measurement of output by nighttime lights is well established to allow comparative city-level analysis of productivity differences on a regional and global scale. This report's resulting benchmarking analysis examines MENA cities' room to catch up with the global frontier of productivity and factors that may support improved performance (Box 3), further complemented by spatially relevant data from the WBES and Ookla.

BOX 3. BENCHMARKING METHODOLOGY: MAPPING CITY PERFORMANCE RELATIVE TO THE GLOBAL FRONTIER OF URBAN PRODUCTIVITY IN MENA

To benchmark a city's productivity, this report compares a city's actual level of economic activity to the estimated maximum that can be achieved by a city *of the same population size*. This estimated maximum level of economic activity is the 'global frontier' line shown in Figure 3. This line captures the estimated relationship between city population and the level of economic activity for the 'top 100' performing cities in the sample.[3] A city is defined as a 'top performer' if it has the highest measured level of economic activity among *all* cities globally (in the sample) that belong to the same population percentile.

FIGURE 3: MENA CITY PERFORMANCE RELATIVE TO THE GLOBAL FRONTIER: CITY ECONOMIC ACTIVITY AS A FUNCTION OF POPULATION SIZE



NOTES: An city's level of economic activity is proxied by its "sum of nighttime lights", which is calculated by summing VIIRS nighttime light intensity values across all pixels that intersect with the city's (Functional Urban Area's) extent over the year(s) in question.

SOURCE: World Bank calculations using Visible Infrared Imaging Radiometer Suite (VIIRS) nighttime lights data from the Colorado School of Mines Earth Observation Group (Elvidge et al, 2021), corrected for gas flaring to proxy a city's real output.

3 Results (correlation coefficients between gaps to the frontier) are robust to alternative approaches to estimating the global frontier—for example, use of a 99th percentile quantile regression to estimate the global frontier.

For each city in our sample, we quantify the gap between the city's actual economic performance and the frontier line. This 'gap to the frontier' represents the degree of economic underperformance of each city, and is measured as:

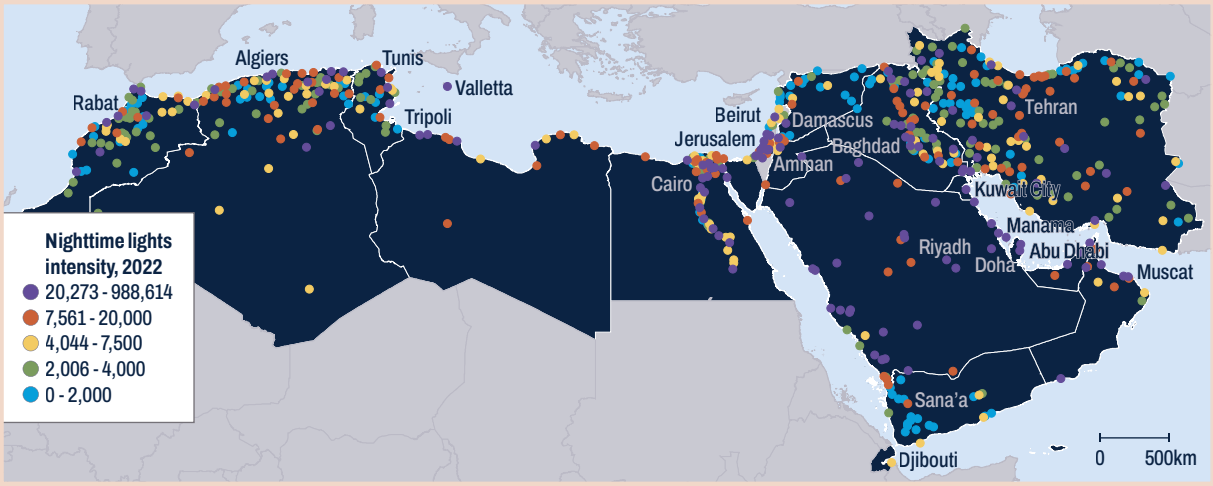
Gap to the Frontier (%) = [(Predicted Frontier – City Sum of Nighttime Lights) / Predicted Frontier] × 100.

Higher values denote a greater (worse) gap to the frontier. Negative values denote cities that are above (perform better than) the predicted frontier line.

The analysis defines cities as FUAs, which aim to capture the whole labor market of a city rather than simply a city's administrative boundaries. Following the Organisation for Economic Co-operation and Development (OECD)-European Union (EU) definition (Moreno-Monroy et al., 2021), each FUA is composed of one or more urban centers, with population density of over 1,500 people per km^2 and an overall population over 50,000, and a surrounding commuting zone, estimated using a probabilistic model trained on data for actual commuting zones for 31 countries. FUAs with urban centers within 5 km are merged unless urban center populations are over 500,000. The data cover 9,031 cities, covering 53% of the world's population. It includes 615 MENA cities, covering 62% of the region's population. Data on FUA populations and extents come from the Global Human Settlements - Functional Urban Areas (GHS-FUA) R2019A dataset (Schiavina et al. 2019), using the latest available year of population data (2015).

The benchmarking uses nighttime lights (Figure 4) as a proxy for urban economic activity.[4] Previous work shows nighttime lights provide a good proxy for economic activity (for example, Henderson et al. 2012). In MENA, the overall intensity of a country's lights strongly correlates with its GDP.

FIGURE 4: NIGHTTIME LIGHT INTENSITY BY FUNCTIONAL URBAN AREAS IN MENA, 2022



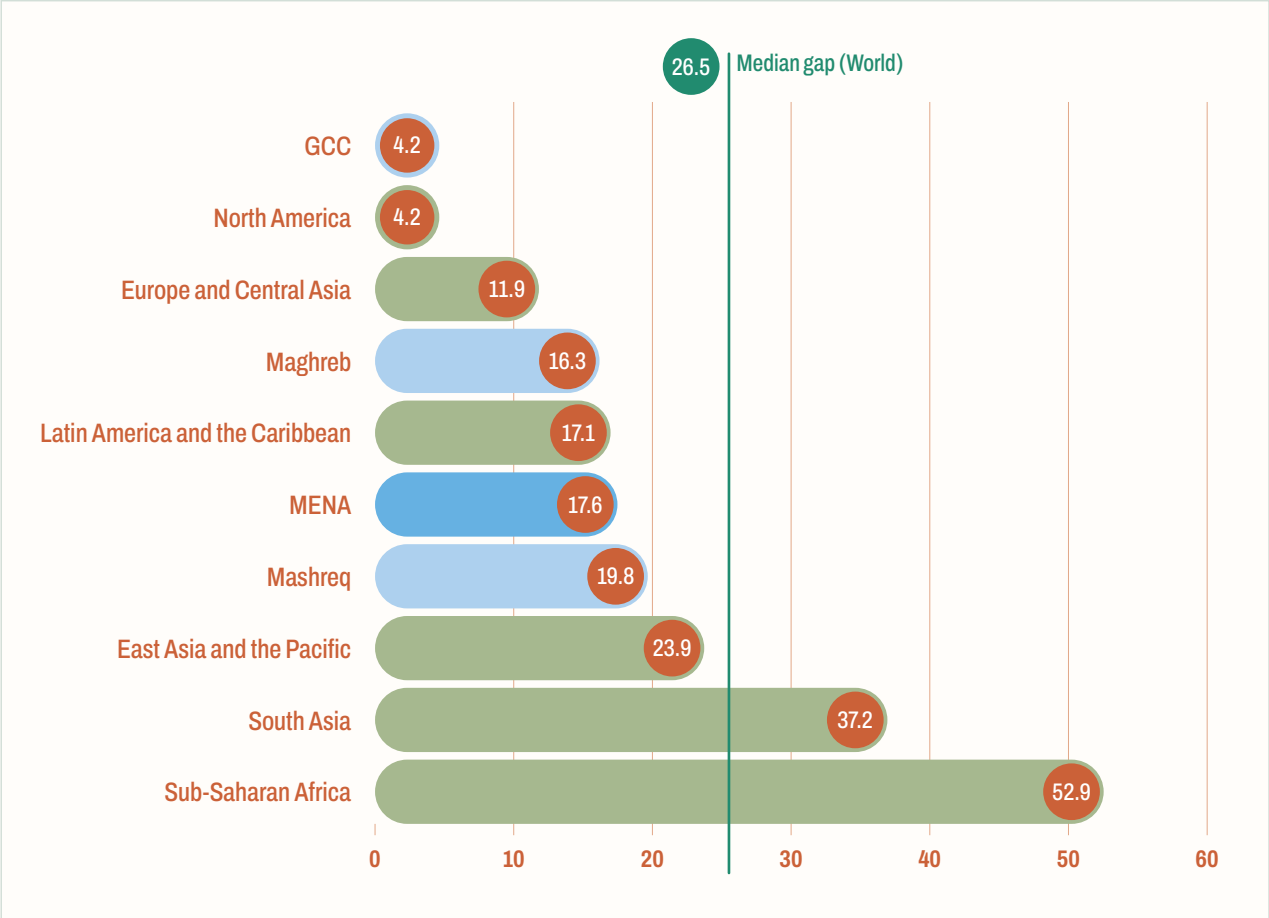
NOTE: Nighttime lights intensity is calculated by summing VIIRS nighttime light intensity values across all pixels that intersect with the FUA's extent in 2022.

SOURCE: Original figure for this publication, using VIIRS nighttime lights data (Elvidge et al, 2021).

4 For each city, nighttime lights data are averaged for the three-year period 2021–2023. This helps average out temporary measurement errors when using lights data to proxy economic activity. We also adjust for gas flaring, by excluding lights within a 5 km radius of a known gas flare site as identified in the Global Flaring and Methane Reduction Partnership.

This systematic benchmarking reveals that, while MENA cities are relatively productive by global standards, they have room for improvement. MENA cities' median gap to the global frontier is 17.6 percent—better than the median gap in South Asia (37.2 percent), Sub-Saharan Africa (52.9 percent), and even East Asia and the Pacific (EAP, 23.9 percent), and competitive with Latin America and the Caribbean (LAC) (17.1 percent). Among the main MENA subregions, the GCC is a top performer (4.2 percent median gap to the frontier), with major hubs such as Doha and Abu Dhabi performing within just 2 percent of the global frontier. The Maghreb (16.3 percent gap) outperforms LAC, while the Mashreq (19.8 percent gap) underperforms LAC while outperforming EAP.

FIGURE 5: MEDIAN PERCENTAGE GAP TO THE GLOBAL PRODUCTIVITY FRONTIER BY REGION

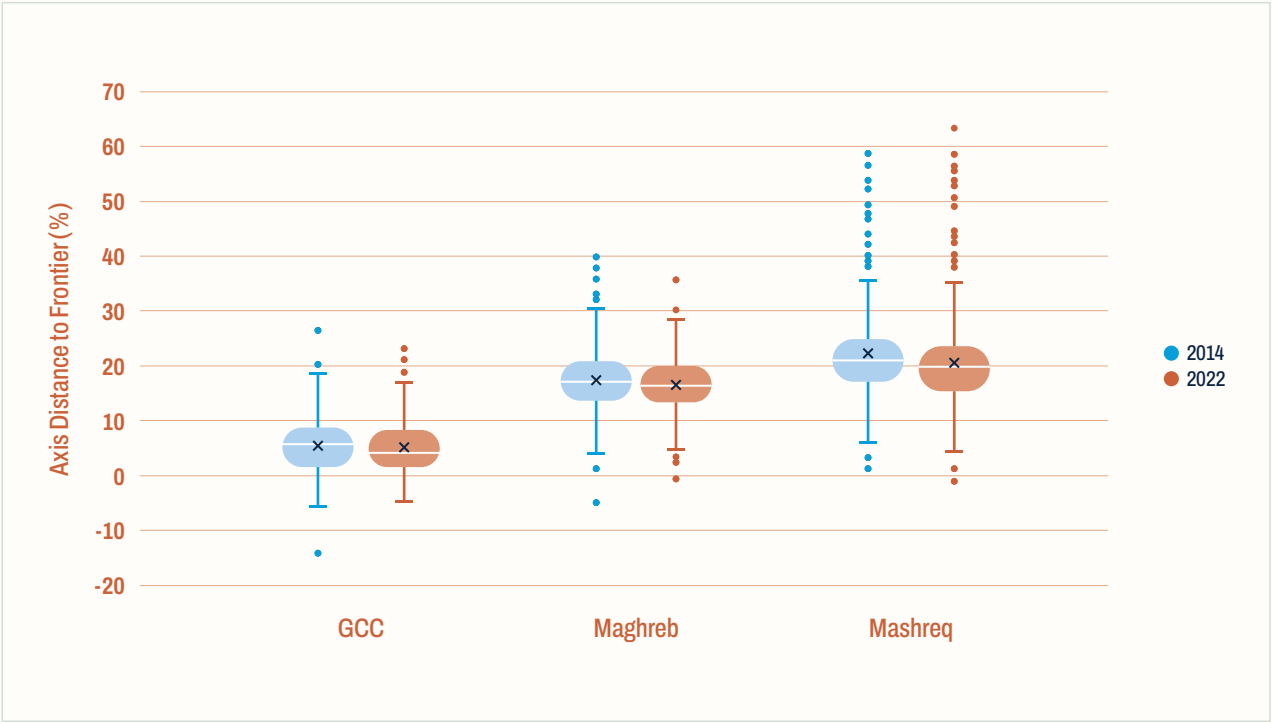


NOTES: See Box 3 for methodology.

SOURCE: Original figure for this publication, using VIIRS nighttime lights data (Elvidge et al, 20210.

MENA cities' productivity has demonstrated resilience to recent shocks. The median performance gap to the frontier has remained stable from 2014 to 2023 in all MENA subregions (Figure 6). While this indicates a failure to catch up with top global performers, stability with respect to the frontier also demonstrates a degree of resilience to shocks in the region, given the many regional conflicts and crises over the period, which may be a boon to future job creation.

FIGURE 6: BOX PLOTS SHOWING A STABLE GAP TO FRONTIER IN EACH MENA SUBREGIONS, 2014–2022



NOTE: See Box 3 for methodology. 2014 results use the average city-level sum of night lights for 2013–2015; 2022 use the average over 2021–2023. Box plot indicates the interquartile range with the dividing line within the box indicating the median gap to the frontier. Circular markers denote cities that fall outside of the interquartile range.

SOURCE: Original figure for this publication, using VIIRS nighttime lights data (Elvidge et al, 2021).

Nonetheless, MENA cities have significant room to become more productive and keep their edge in the future. Nearly all MENA cities (98 percent) operate below the global frontier, with just 2 percent (12 of 615 MENA cities analyzed) at or above the frontier. The economic performance (proxied by nighttime lights) of the median MENA city is 17.6 percent below the best-performing cities of similar sizes worldwide. Other regions have also been catching up to the global frontier more quickly (Roberts and Owen, forthcoming). This suggests considerable room to strengthen productivity, and in turn jobs outcomes, in MENA cities with the right urban policies and investments.

1.2

City Characteristics Linked to Productivity

From the benchmarking analysis and the complementary firm analysis, three local factors emerge as particularly important to productivity outcomes in MENA cities:

(I) CITY SIZE[5] AND DENSITY

Cities' size, and even more so their place in the national urban hierarchy, is strongly associated with productivity relative to the global frontier. The region's smallest cities (with populations below 200,000) are struggling the most to keep pace with top-performing global peers of a similar size, with a median performance gap to the frontier of 18.5 percent. This compares to a 15.8 percent gap to the frontier for medium cities (200,000–1.5 million people) and 15.7 percent gap for large cities (with over 1.5 million people). Among medium and large cities, a city's place in the *national urban hierarchy* appears even more important than its absolute size: The largest city within each MENA country has the smallest median gap to the frontier by city size of just 12.8 percentage points (Table 1).

5 This analysis classifies cities as small, medium, or large, mirroring an OECD classification system. Urban areas in the OECD are classified as large metropolitan areas (>1.5 million population), metropolitan areas (500,000–1.5 million), medium-size urban areas (200,000–500,000), and small urban areas (50,000–200,000). This analysis combines the two middle categories as 'medium' cities.

TABLE 1. MEDIAN GAP TO THE FRONTIER FOR MENA CITIES WITH DEFINED CHARACTERISTICS

	CITY CHARACTERISTIC	MEDIAN GAP TO THE FRONTIER
City size: absolute	Small (50,000–200,000)	18.5
	Medium (200,000–1.5 million)	15.8
	Large (>1.5 million)	15.7
City size: national hierarchy	Largest in country	12.8
	Not largest in country	17.8
Coastal/ Border Access	Inland, non-border	18.4
	Coastal, non-border	13.6
	Inland, border	11.7
	Coastal, border	11.5
Conflict	FCV	20.8
	Non-FCV	17.2

NOTE: FCV = Fragility, conflict, and violence. Coastal cities are cities with an FUA extent within 200 m of coastal waterbodies. Border cities are defined as cities with an FUA extent within 200 m of international administrative borders. Cities' coastal and border locations were verified manually, resulting in 246 border cities out of the 9,031 global sample, of which 38 are also coastal cities. FCV cities are all those in countries classified as FCV by the World Bank Group in FY24–25. The sample includes all MENA cities in the benchmarking analysis.

The latter finding reflects that MENA countries' urban systems are typically characterized by high urban primacy: a dominant 'primate' city and several smaller secondary cities. On average, a MENA country's largest city is home to about one-quarter of the national urban population, and across the region, one-third of MENA's urban population resides in a country's largest city. Urban primacy in the Mashreq and GCC is higher than in any other world region (World Bank 2020), while economic activity tends to be even more spatially concentrated than populations.

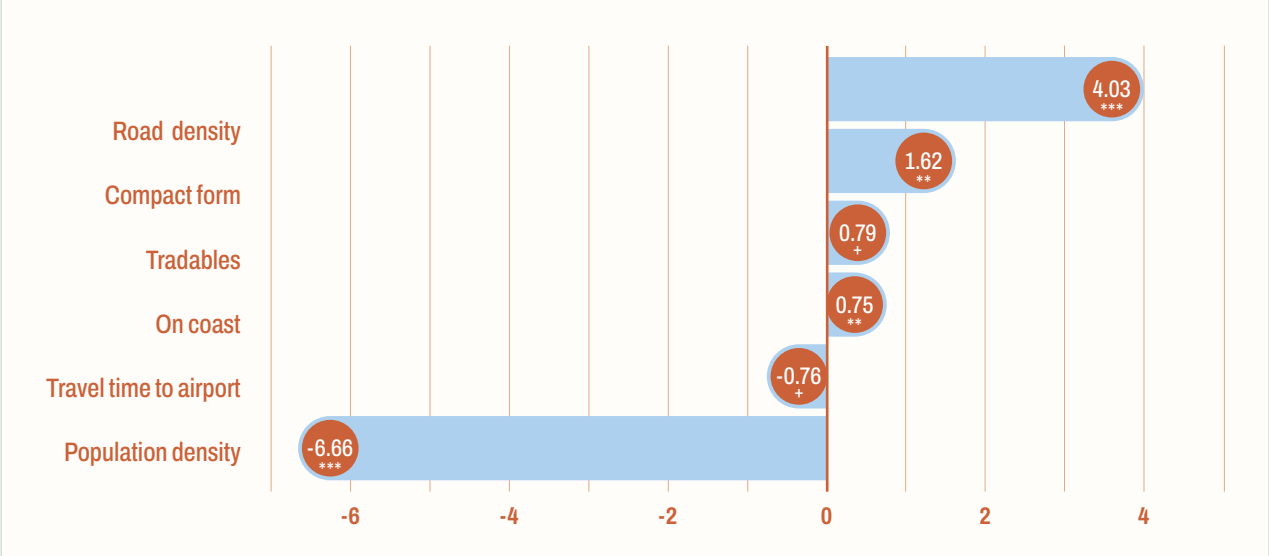
Despite high urbanization rates and high urban primacy in MENA, small and medium cities also play an important role in MENA. MENA is not a region of megacities, despite hosting one of the world's top 20 largest cities (Greater Cairo FUA, estimated at 23 million people, while Tehran FUA—the second largest city in the region—is already 13 million people). In 2015, MENA had only 33 cities (FUAs) with populations above 1.5 million, and MENA's median FUA size was 126,718 (compared to 151,013 globally).[6] Thus, in many MENA countries, key secondary cities are medium-size, rather than large. If a city's place in the urban hierarchy

6 Data on FUA populations and extents come from the GHS-FUA R2019A dataset (Schiavina et al. 2019), using the latest available year of population data (2015).

has similar importance to its absolute size, then this pattern may partially explain the similar benchmarking performance of large versus medium cities in the region.

Beyond city sizes, the benchmarking analysis shows that, in the absence of sufficient supporting local infrastructure, denser cities are not necessarily more productive in MENA. Although in theory, density can lower urban costs and strengthen agglomeration benefits, the benchmarking analysis shows that in MENA, a higher density of people per square kilometer is associated with a *wider* gap to the global productivity frontier. This negative relationship is the strongest when local infrastructure (proxied by road density) is held constant (reflected in the negative coefficient for population density when controlling for road density in Figure 7). This suggests that, when infrastructure and planning do not adapt to accommodate denser populations, the productivity of MENA cities suffers, and jobs outcomes may be muted.[7]

FIGURE 7: CORRELATION BETWEEN VARIOUS MENA CITY CHARACTERISTICS AND A MENA CITY'S GAP TO THE GLOBAL PRODUCTIVITY FRONTIER



NOTE: The effect size represents the change in productivity gap to the frontier (Box 3) associated with a one standard deviation change in the value of each variable. Positive effect sizes indicate factors that improve cities' proximity to the frontier. Standard errors were clustered at the country level. A city's compactness is measured by the Polsby-Popper Ratio $(4\pi \times \text{Area})/\text{Perimeter}^2$). Tradables represent the share of tradables in a city's employment. The regression includes country fixed effects and also controls for travel time to the nearest port; whether the FUA intersects with rivers (rivers, streams, and canals); mean elevation; mean Ruggedness Index; cooling degree days (annual mean); and heating degree days (annual mean). The sample includes 160 FUAs from the Islamic Republic of Iran, 74 from Egypt, 59 from Morocco, 55 from Iraq, 8 from Jordan, and 1 from West Bank and Gaza. Significance level: *** = 0.001 level, ** = 0.01 level, * = 0.1 level, and + = 0.15 level.

SOURCE: World Bank data.

7 The results also show that a more compact urban form (that is, a more circular shape) is also associated with stronger economic performance relative to the global frontier. This implies, for a given average level of population density, a more circular city will perform better than, for example a linear city.

(II) ACCESS TO MARKETS

MENA's coastal and border cities perform significantly closer to the productivity frontier—suggesting that greater access to external markets matters for city productivity. MENA cities located on the coast and close to an international administrative border have a median gap to the frontier of just 11.5 percent, whereas inland urban centers that are distant from an international administrative border are on average (median) 18.4 percent from the global frontier (Table 1). A regression analysis (for a smaller sample of cities) confirms that coastal locations are significantly associated with proximity to the productivity frontier, after a range of controls (Figure 7). A higher share of tradables employment and shorter travel time to an airport are also associated with smaller gap to the frontier, though these associations are not significant at the 10 percent level. This is consistent with the importance of external openness and producing for larger external markets to a city's productive performance.

(III) ATTRACTIVENESS TO INVESTMENT AND TALENT

Security and stability: The benchmarking analysis shows that a stable, secure urban environment is important for productivity. Cities affected by fragility, conflict, and violence (FCV cities) are further from the global frontier (median gap of 20.8 percent), compared to non-FCV cities (median gap of 17.2 percent) (Table 1). Many FCV cities have suffered from infrastructure destruction, human capital erosion through out-migration and weakened education, and capital flight. Conflict also raises transaction costs and risk premiums, including risks of not only violence but also expropriation of assets, breaches of contract, currency restrictions, and so on (MIGA n.d.), deterring both talent and investors from committing resources, to the detriment of productivity.

Catalytic Firms: MENA has a relatively small share of large private firms, despite these firms' greater job creation rates. This report's analysis of WBES shows that, after controlling for firm age, sector, and other factors, large private firms (with over 100 employees) have significantly greater job creation rates than smaller firms in MENA and that firm size is one of the most *important* correlates of firms' job creation rates in MENA (Figure 8). These findings are novel to MENA, contrasting with seminal findings from other regions: In a global sample of developing economies in WBES data, Ayyagari et al. (2011) find that *small* firms have faster employment growth, even after controlling for firm age, while Haltiwanger et al. (2013), studying the US, find that small firms have faster employment growth, but the association becomes insignificant after controlling for firm age, that is, the youth of many small firms drives their faster job creation, not their size. The association of *large* firms with faster employment growth, after controlling for firm age thus appears novel to the MENA region. Complementing this finding, a forthcoming World Bank analysis shows that large firms in MENA also maintain their performance better during shocks (World Bank Forthcoming b).[8]

Despite their greater job creation performance and resilience, currently only 12.7 percent of private firms in MENA are large—the lowest share across all world regions except Sub-Saharan Africa (Figure 10).

8 A similar increase in heat reduced small-firm revenues by 10 percent, compared to just a 2 percent drop in revenue for large firms.

FIGURE 8: LARGER FIRMS CREATE MORE JOBS: IMPACT OF FIRM- AND CITY-LEVEL CHARACTERISTICS ON JOB CREATION IN MENA

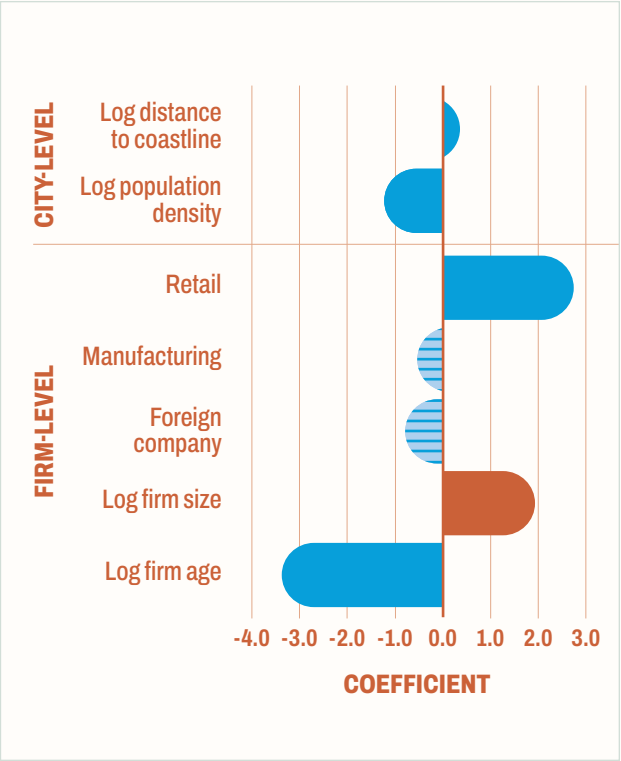
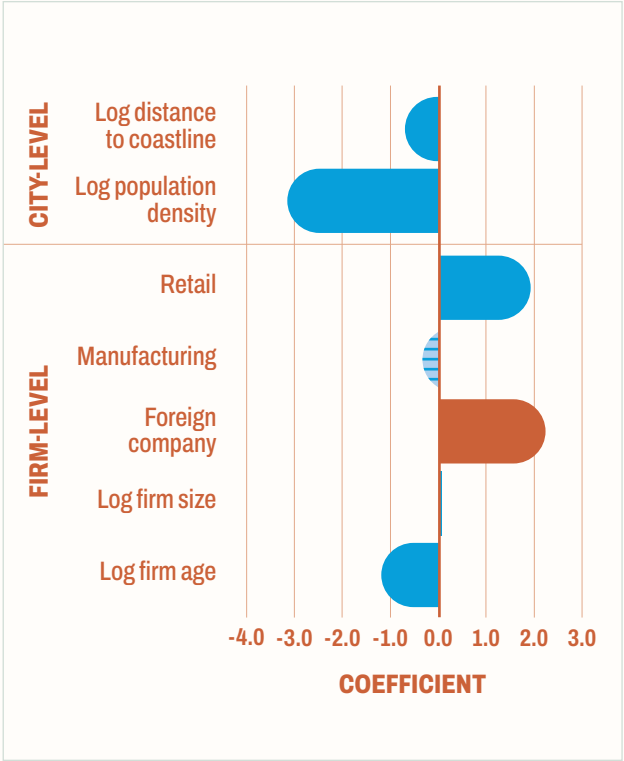


FIGURE 9: INWARD INVESTMENT SUPPORTS LABOR PRODUCTIVITY GROWTH: IMPACT OF FIRM- AND CITY-LEVEL CHARACTERISTICS ON LABOR PRODUCTIVITY GROWTH IN MENA



NOTE: Based on data covering Egypt (2023), Iraq (2022), Jordan (2019), Lebanon (2019), Morocco (2023), Saudi Arabia (2022), Tunisia (2020), West Bank and Gaza (2023), and Yemen (2013). Regressions also include country income group and subnational temperature and precipitation as controls. Firm-level (net) job creation rates are annualized averages over a three-year period, calculated as one-third of the ratio between the change in the number of full-time workers and the average number of full-time workers over the beginning and the end years. Firm-level labor productivity growth rates (right) are annualized averages over a three-year period, calculated as one-third of the ratio between the change in the labor productivity and the average labor productivity over the beginning and the end years. Hatched bars denote variables that are not statistically significant. Red bars denote the variable referenced in the figure title (firm size and inward investment, respectively). Firms surveyed by WBES are mainly from urban areas. Population density is average urban center population density (estimated for 2020) of the subnational location using population weights.

SOURCES: WBES; Urban Centre Database (UCDB) of Global Human Settlements Layer (GHSL) UCDB, GHSL.

FIGURE 10: PERCENTAGE OF PRIVATE FIRMS WITH OVER 100 EMPLOYEES, 2020–2024, BY REGION

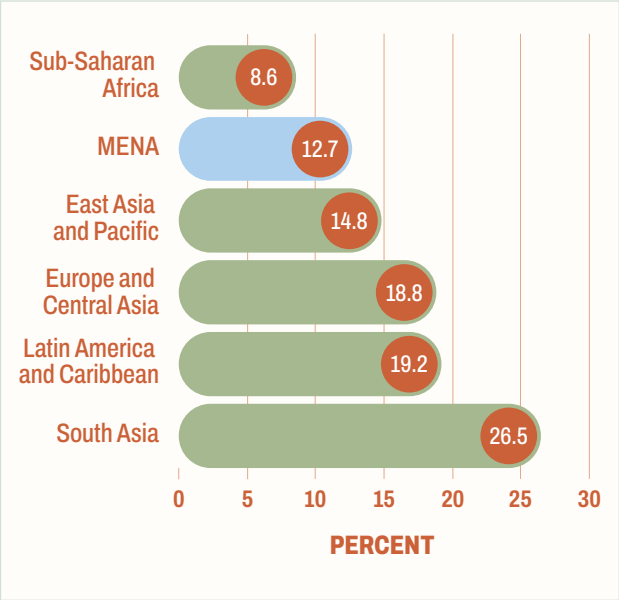
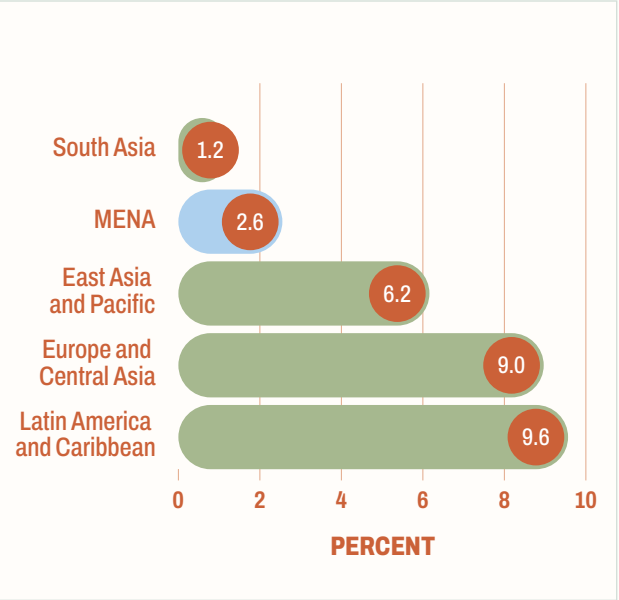


FIGURE 11: PERCENTAGE OF PRIVATE FIRMS THAT ARE FOREIGN OWNED, 2020–2024, BY REGION



NOTE: Each bar reports median (for each region) across subnational location-year observations, which are computed from firm-level data using survey sampling weights.

SOURCE: WBES, 2020–2024, covering 70 countries. https://www.enterprisesurveys.org.

The findings suggest barriers to small firms' development and growth into larger firms in MENA. The observed dual pattern of large firms' strong employment creation but low prevalence could be explained by constraints that prevent all but the most effective firms developing into large firms—such as regulatory burdens, political economy constraints, or a more broadly challenging business environment. Consistent with this, the World Development Report 2024 argues that in high-income countries, small firms tend to either thrive and grow, or exit the market, whereas among countries stuck in middle-income status, small firms more often survive for decades, but without growing their employment or productivity (World Bank 2024a). The policy implication is to harness the benefits of large firms and also create an enabling environment where high-potential small firms raise their productivity and grow, expanding the quality and quantity of jobs in the process.

MENA also has low shares of inward investment, despite its association with higher productivity growth. This report's analysis of WBES data also shows inward investment to be a leading determinant of firm labor productivity growth in MENA. Foreign-owned firms have higher labor productivity growth than domestic firms, and inward investment has the strongest correlation with a firm's labor productivity of any factor in our analysis, after various controls (Figure 9). This is consistent with a large body of global literature, which finds foreign direct investment (FDI) to be positively associated with firm productivity (for example, Arnold and Javorcik 2009; Pasali and Chaudhary 2020; Xu et al. 2022), and complements

a key argument of the World Development Report 2024—that the *infusion* of technologies from overseas is a critical step on the road from low- to high-income status (followed, sequentially, by greater domestic *innovation*) (World Bank 2024a). Global studies also find that top-performing large and foreign-owned firms can substantially boost the performance of *smaller and local firms*, where these are able to become suppliers to large FDI firms (Amiti et al. 2024; Javorcik 2004). However, despite these advantages, MENA has the second-lowest share of firms that are foreign-owned (at 2.6 percent) of any region (Figure 11), suggesting that the full potential of FDI for productivity growth is not yet being tapped in the region.

These findings on firm characteristics suggest three complementary priorities with regard to firms for MENA cities, to support firms across all size ranges and stimulate synergies among them. First, MENA cities can benefit from attracting large firms and FDI, to benefit from their greater direct jobs performance and their role as catalysts. However, small and domestic firms still account for the larger share of firms and jobs: 83 percent of private firms have under 100 employees, and 97 percent of private firms are domestic in MENA.[9] Second, cities must also create conditions for high-potential small and domestic firms to improve their productivity and expand. Lastly, connecting these agendas, cities should create the right conditions for *links* to develop between their top-performing (often large, foreign-owned, or exporting firms) and smaller, local suppliers, to enhance productivity and employment spillovers across the economy.

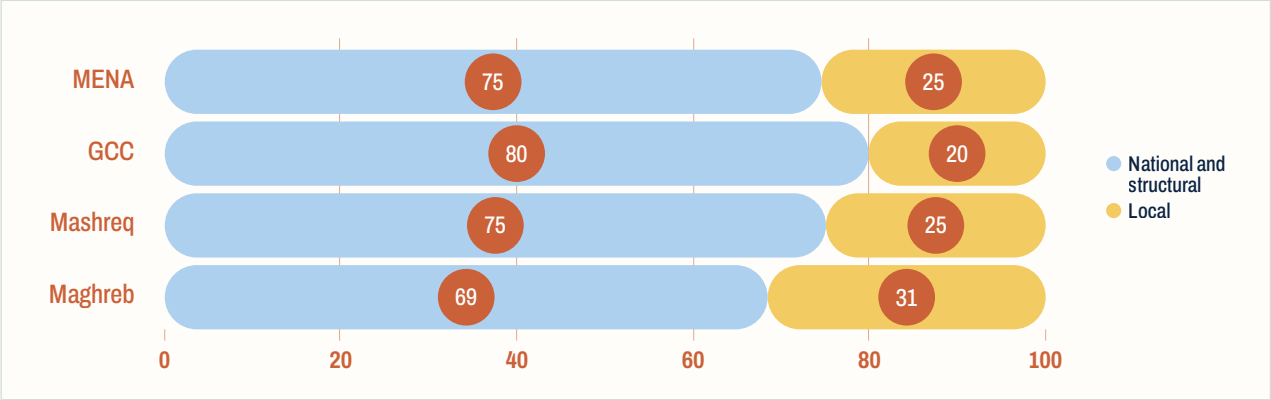
PHOTO: Adobe Stock

9 Consistent with World Bank (2015), which finds that in cities that attract FDI, FDI accounts for only around 0.1 percent of the employment base.

1.3 Urban Policies as Drivers of More and Better Jobs

While many factors affecting the productivity of cities and their firms are beyond the direct influence of city leaders (such as geography or national policy), our analysis suggests that local policy contexts also matter. Approximately 25 percent of the productivity performance variation across MENA cities is explained by factors that are neither national nor structural (structural factors are those beyond the near-term control of policy makers, such as geography and city size) (Figure 12).[11] This suggests that appropriate local policy environments and investments in a city could meaningfully affect productivity and in turn jobs outcomes and that even cities facing structural challenges might improve their economic performance with the right approaches. Using a simple thought experiment, we analyze the employment and productivity gains that could follow from improved urban performance in MENA and estimate that the average MENA country analyzed could increase its employment by 9.9 percent and labor productivity by 6.3 percent by narrowing the gap between its actual per capita GDP and that predicted by its urbanization level and other key structural factors (Box 4). While undoubtedly crude, and unable to assign the gains to particular policy levers, this simple thought experiment is suggestive of the more and better jobs gains that could result from better urban performance.

FIGURE 12: DECOMPOSITION OF A MENA CITY'S GAP TO THE FRONTIER - LOCAL VERSUS NATIONAL AND STRUCTURAL FACTORS



NOTE: National and structural factors controlled for are (a) FUA size indicator: large if an FUA's population (201; (b) national border dummy: 1 if an FUA extent within 200 m of international administrative borders; (c) coastal dummy: 1 if an FUA intersects with coastline; (d) river dummy: 1 if an FUA intersects with rivers (rivers, streams, and canals); (e) mean elevation within the boundary of an FUA (in natural log); (f) terrain ruggedness index within the boundary of an FUA (in natural log); and (g) cooling degree days: Annual mean of cooling degree days in 2023 (in natural log).

SOURCE: World Bank data.

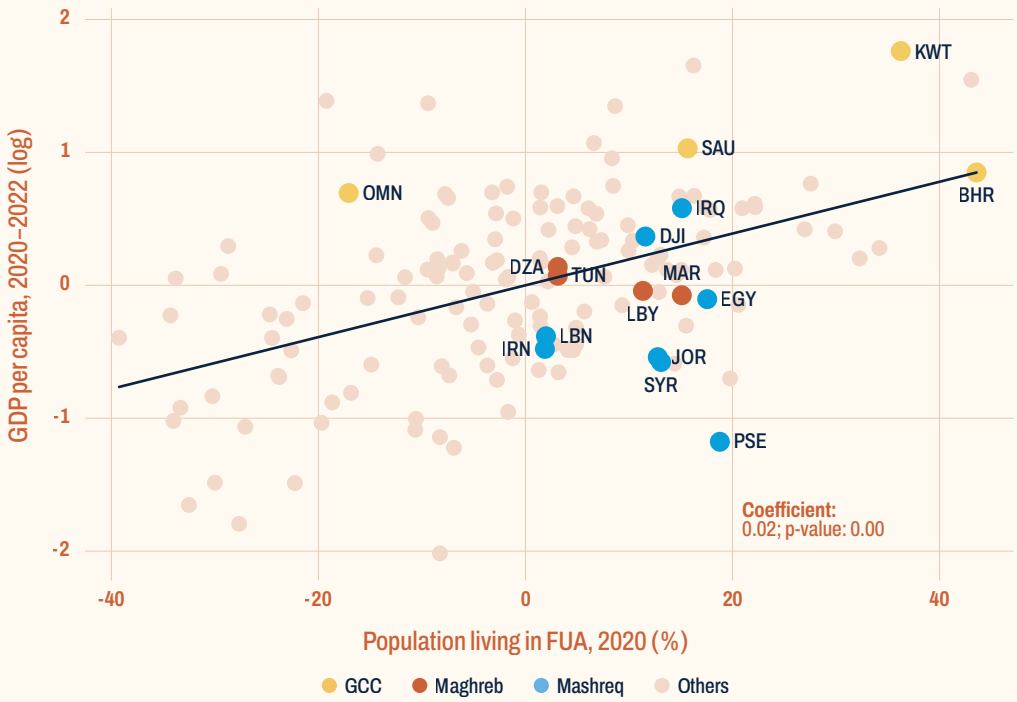
10 The unexplained variation is 25 percent after controlling for, at the national level, country fixed effects and, at the local level, a list of 'structural' factors (FUA size indicator, national border dummy, coastal dummy, river dummy, mean elevation, terrain ruggedness, and cooling degree days).

BOX 4. SIMULATING THE JOB GAINS OF BETTER URBAN POLICIES - A SIMPLE THOUGHT EXPERIMENT

Per capita incomes in some MENA countries are underperforming relative to their urban shares. Figure 13 plots countries' urban population shares against their GDP per capita (after controlling for three key variables that neoclassical growth theory suggests determine a country's long-run GDP per capita, that is, the augmented Solow model of Mankiw, Romer and Weil (1992)). Although a positive correlation between urbanization and GDP per capita is established, several MENA countries fall below the regression line, that is, they have lower than expected incomes relative to their urban shares, after these macro controls.

For these countries, Figure 14 considers the impact of narrowing this gap to 'expected GDP per capita', that is, the regression line, by 25 percent, through better urban policy. If we hold the total population constant, the resulting gains in GDP per capita can be fully decomposed into an increased share of employed people in the population and increased GDP per worker, that is, labor productivity. The predicted percentage increases in employment and labor productivity are shown in Figure 14. The average country analyzed could increase its employment by 9.9 percent and labor productivity by 6.3 percent by closing 25 percent of the gap between its actual and predicted GDP per capita.

FIGURE 13: URBAN POPULATION SHARE IS POSITIVELY CORRELATED WITH PER CAPITA GDP GLOBALLY

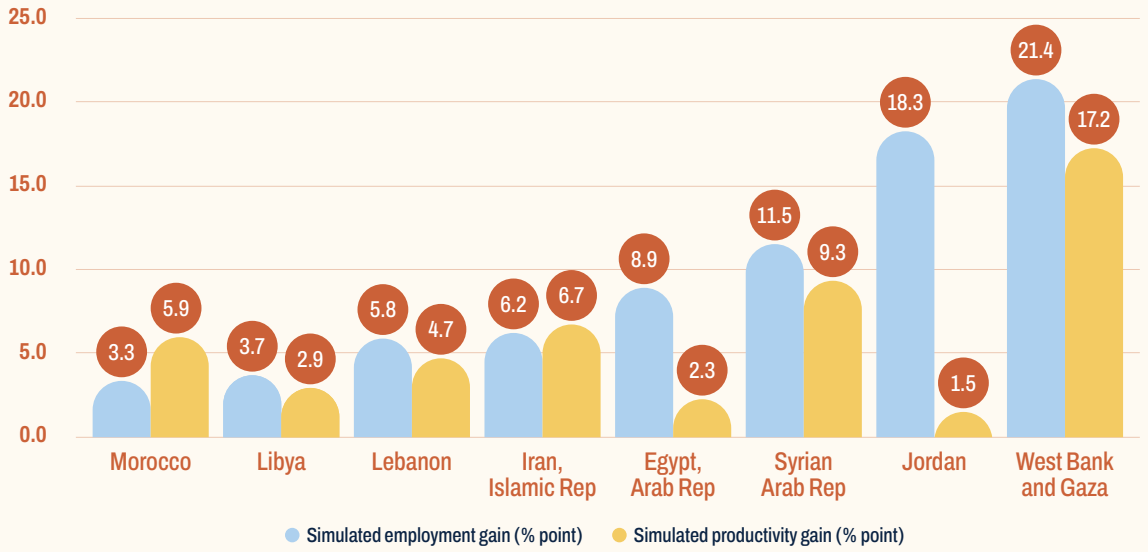


NOTE: To isolate the relationship between FUA population share and GDP per capita, both axes show residualized values after controlling for population growth rate (2010–2020, percent), mean years of schooling (2020–2022, ln), and gross fixed capital formation (2020–2022, % of GDP). Points represent the deviation of the X and Y variables from predicted values based on the control variables alone: Negative values indicate below-predicted levels; positive values represent above-predicted values. Sample: 153 countries.

SOURCE: World Bank data.

CONTINUE IN THE NEX PAGE →

FIGURE 14: SIMULATED EMPLOYMENT AND LABOR PRODUCTIVITY GAINS (PERCENTAGE POINT INCREASE) FROM BETTER URBAN PERFORMANCE



NOTE: For countries below the regression line in Figure 13, this analysis first calculates the percentage increase in GDP per capita that could be achieved if a country were to close 25% of the gap between its actual and predicted (regression line) GDP per capita. GDP per capita can be decomposed into GDP per worker (labor productivity) and total employment relative to population: (Y/P) = (Y/E) × (E/P). To estimate simple employment gains, we first assume average labor productivity remains constant. However, we limit any simulated increase in employment such that employment cannot exceed the country's share of population ages 15 or over and employment increases do not exceed those implied by weighted average employment elasticities in Burgi et al. (2024).[12] Above these constraints, any gains in GDP per capita are assumed to come purely from improved labor productivity.

SOURCE: World Bank data.

Underscoring the importance of local policy factors, some MENA cities are thriving despite recent structural challenges of FCV, as well as inland locations and secondary city status. For example, several cities around Baghdad in central Iraq are performing in the top quartile for the MENA region (within 14 percent of the global frontier), despite their landlocked locations; recent history of intense conflict, instability, and destruction; and not being the largest national city (Box 5). These exceptions illustrate that historic and structural challenges are not necessarily a straitjacket, and considerable recovery and turnaround can be possible.

11 Burgi et al. (2024) provides employment elasticities by sector (agriculture, manufacturing, and services) and country. To generate a single elasticity for each country, we took the average across the three sectors, weighted by sectoral shares of employment in the WDI. In countries for which elasticities were not available (Libya, Lebanon, Syria, and West Bank and Gaza), the mean elasticities for the subregion (Maghreb, Mashreq, and GCC) were applied.

BOX 5. POST-CONFLICT RECOVERY IN CENTRAL IRAQ

When Ramadi was liberated from the Islamic State of Iraq and Syria in December 2015, local officials reported that 80 percent of the city was destroyed, including bridges, electricity substations, sewage infrastructure, hospitals, and schools (News Agencies, 2015; UNDP, 2025; Rand).

Yet by 2021–2023, Ramadi was just 8.5 percentage points from the global frontier: a top performer within MENA. Indeed, several large cities within 2 hours of Baghdad now perform in the top quartile of economic performance relative to the frontier, including Baghdad, Karbala, Fallujah, and Tikrit.

Ramadi's resurgence was supported by large public investment. This included over US$25 billion in projects across Anbar Province by 2023 (Ebrahim 2023), including universities, hospitals, clearance of unexploded ordnance, debris removal through emergency employment, and hundreds of millions distributed to families for home rebuilding.

The remarkable economic outcomes today demonstrate that strategic capital investment and improved security can support recovery even in landlocked, post-conflict contexts.

With greater productivity, MENA's cities can be powerful engines of job creation—so how can policy makers activate them more effectively? The evidence points to three key urban levers for more and better jobs, which we label: Productive Density, Market Connectivity, and Attractiveness to Investment and Talent. Part II introduces a framework built around these levers and explores how they can be deployed to promote more and better jobs for MENA's urban populations.

PHOTO: Kenny on Unsplash

PART

2

A JOBS FRAMEWORK FOR MENA CITIES

PHOTO: Sonmez on iStock

The evidence from Part I strongly suggests that local policies matter for productivity and jobs in MENA cities and points to four key pillars for activating MENA cities as engines of more and better job creation: **Productive Density, Market Connectivity, Attractiveness to Investment and Talent, and Public-Private Coalitions**.

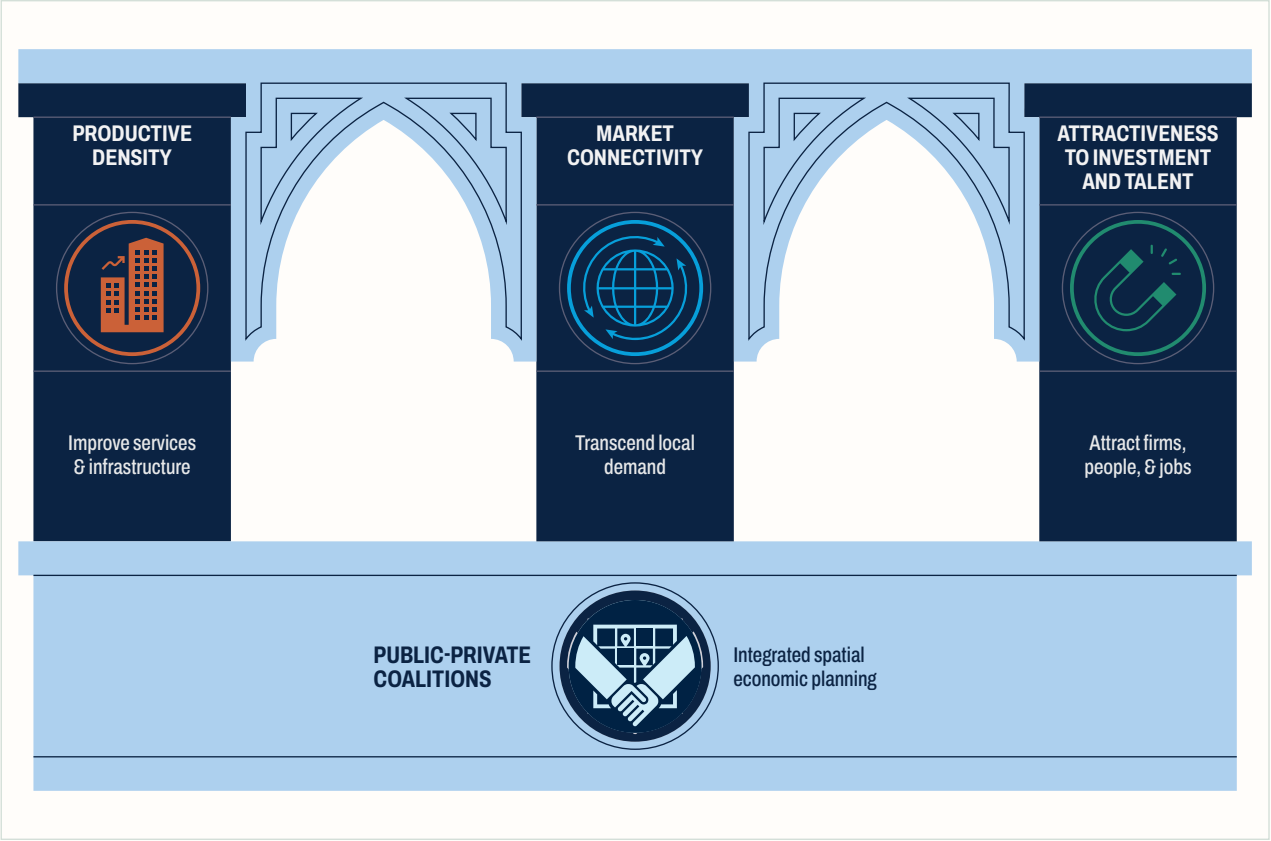
PRODUCTIVE DENSITY: Agglomerations of people and firms can support robust agglomeration economies—but appropriate infrastructure and services are needed to translate urban scale and density into productivity.

MARKET CONNECTIVITY: Integration with large external markets allows urban economies to transcend local demand ceilings, participate in more diverse value chains, and tap economic opportunities not available locally.

ATTRACTIVENESS TO INVESTMENT AND TALENT: Cities can benefit from creating an environment that attracts more productive firms and workers.

PUBLIC-PRIVATE COALITIONS: Market intelligence and collaboration with the private sector need to be at the foundation of each pillar. Urban planning should reflect a city's needs and opportunities for private sector growth and should harness the private sector's potential as a direct employer of labor, a co-financier of urban investments and operator of urban services, and a source of knowledge and expertise.

FIGURE 15: A JOBS FRAMEWORK FOR MENA CITIES



BOX 6. INTRODUCTION TO THE WBG JOBS FRAMEWORK

The World Bank Group (WBG) has a renewed mandate to support job creation in client countries. The WBG Jobs Framework outlines the three pillars that are critical for job creation, with strong alignment with the urban growth and jobs framework of this report:

FOUNDATIONAL INFRASTRUCTURE (PILLAR 1).
Invest in the foundational infrastructure critical to private sector job creation and ensure the resources are used effectively, including a healthy and skilled labor force; reliable transport, energy, and digital infrastructure; and safe water, clean air, and fertile land.

ENABLING ENVIRONMENT (PILLAR 2).
Establish a business-friendly environment—such as clear land laws, predictable tax systems, and transparent institutions.

PRIVATE SECTOR DEVELOPMENT (PILLAR 3).
Mobilize private investment at scale, supported by de-risking private investment.

This report's policy framework on Cities' Productive Density, Market Connectivity, Attractiveness to Investment and Talent, and Public-Private Coalitions has strong alignment with these pillars. Foundational infrastructure is key to making urban density productive, as well as for connecting city economies to the opportunities of external markets. A strong enabling environment is key to making cities attractive destinations for investment and talent and complementing connective infrastructure with integrative institutions. Finally, Public-Private Coalitions put the mobilization of the private sector at the heart of urban planning.

PHOTO: Rex on Unsplash

BOX 7. CASE STUDIES: LESSONS FROM FIVE GLOBAL CITIES THAT TRANSFORMED INTO PRODUCTIVE ECONOMIES

This report draws on case studies from five global cities—Medellín, Bilbao, Kobe, Cape Town, and Gaziantep—that demonstrate how cities with different constraints can transform their economies over two or three decades by harnessing Productive Density, Market Connectivity, Attractiveness to Investment and Talent, and Public-Private Coalitions.

CITY	CITY TYPOLOGY	REFORM CONTEXT (IN THE 90S)	REFORM OUTCOMES (NOWADAYS)
Medellín, Colombia	• Large (metro: 4.2 million, second largest nationally) • Inland	• Extreme violence (381 homicides per 100,000 in 1991) • 20% unemployment, 55% informal employment • Economic instability from drug trade	• Unemployment halved (17% to 8.7%, 2002–2015). • Homicides down 95% • ACI facilitated US$4 billion FDI, 44,000 jobs (2008–2025) • Multidimensional poverty reduced 54% (2010–2022)
Bilbao, Spain	• Medium (metro: 1 million) • Coastal	• Industrial decline (1970s–1980s): lost 60,000 jobs, 25–35% unemployment • Polluted environment • Population decline from 433,000 peak (1980)	• First 10 years (1995–2005): Employment jump +42% (from 267,000 to 380,000) • Unemployment down from 25% to 14% • Now: 670+ companies in tech parks, 23,600 jobs • Parks generate €8.24 billion annually (8.9% of regional GDP)
Kobe, Japan	• Large (metro: 2.4 million) • Coastal	• Post-earthquake (1995) reconstruction • Declining heavy industries driven by the port	• A diversified economy and high-end/ innovative industries (biomedical, with 500 companies and 10,000 jobs over 15 years)
Cape Town, South Africa	• Large (metro: 5.1 million, second largest nationally) • Coastal	• Post-apartheid international recognition • Declining gold/minerals threatened economic base (driven by the port)	• Tourism focus: supports 106,000 jobs (6.9% of employment) • Flagship V&A Waterfront: 21,000 jobs • 2.4 million visitors in 2024 injected US$1.4 billion
Gaziantep, Türkiye	• Large (metro: 2.5 million) from Medium 10 years ago (Small, 120,000 in 1969) • Inland and border to Syrian Arab Republic	• No natural resources or port • 1980s trade liberalization created opportunity for industrialization through export-oriented growth	• Exports increased tenfold to US$6.2 billion by 2013. • OIZs host 970 companies, 140,000 jobs, US$10 billion exports in 2024. • Massive influx of Syrians Under Temporary Protection in 2015 led to creation of 1,000 businesses.

NOTE: ACI = Agency for Cooperation and Investment; OIZ = Organized Industrial Zone. Summarized from Heneine (2026).

2.1 Productive Density

Productive Density: *Why It Matters*

Dense, well-serviced cities are among the most powerful job creation machines humans have built—but only when infrastructure keeps pace with population and firm needs. MENA has achieved a degree of urbanization that brings great potential for job creation. To deliver the jobs needed for the region's growing population, it is imperative to ensure that MENA's existing density of people translates into productive agglomeration economies able to fuel more and better jobs.

Density can make a higher quality of urban amenities and services more viable, but density *without* infrastructure and services undermines both productivity and job creation. When infrastructure and planning fail to keep pace with urban populations, urban jobs performance suffers through multiple channels: reduced firm productivity, reduced private investment, weaker labor market functioning, and depressed human capital.

UTILITY outages directly raise production costs (for example, Fisher-Vanden et al. 2015; Islam and Hyland 2019), with evidence that small manufacturers are particularly affected due to scale economies in adaptations such as generators (Allcott et al., 2016). While larger firms may adapt to outages in the short run, long-run negative impacts are estimated to be much larger, as firms refrain from investments and hiring that would idle capital and workers during disruptions (Fried and Lagakos 2023).

DIGITAL CONNECTIVITY is increasingly critical for workers' and firms' participation in knowledge-intensive services and global value chains.

SECURITY OF LAND AND PROPERTY RIGHTS can substantially affect investment decisions (for example, Jacoby et al. 2002; Johnson et al. 2002), and secure property rights have been found to be as important as financial development to supporting firm growth (Claessens and Laeven 2003).

As discussed more in Section 2.3., dynamic, footloose investors and skilled workers often choose locations based on quality of life and infrastructure (Xue et al. 2021), where density is not complemented by investment and planning, and congestion and degradation can instead deter investors and talent.

Planning, infrastructure, and service gaps can also constrain the quality and number of jobs through more direct labor market channels:

CONNECTIVITY TO JOBS. Urban form, housing, and transit systems need to efficiently connect the urban labor market—rather than being undermined by congestion or sprawl. Housing should be accessible to employment locations and well connected by transit links, so that workers can reach more job opportunities across the city more efficiently (for example, Andersson et al. 2018; Kain 1968), improving the quality of worker-firm matching and hence the strength of agglomeration effects.

PROTECTING HUMAN CAPITAL. Workers' productivity—and employability—depends on their education and health. When dense neighborhoods lack adequate schools, children receive lower-quality education that limits their future job prospects. When water, sanitation, and health care systems are overstretched, or urban air is polluted, workers face more illness and absenteeism, making them less productive and limiting their earning potential. For example, the OECD estimated that in 2015, air pollution globally resulted in 1.2 billion lost workdays and US$21 billion higher health care costs (OECD 2016). Unmanaged exposure to extreme heat affects not only worker performance through immediate heat stress but also long-run human capital development through channels such as maternal and fetal health and inhibited learning (Park et al. 2020).

BOX 8. ADDRESS CONGESTION FORCES IN CAIRO TO COMPETE ON GLOBAL MARKETS

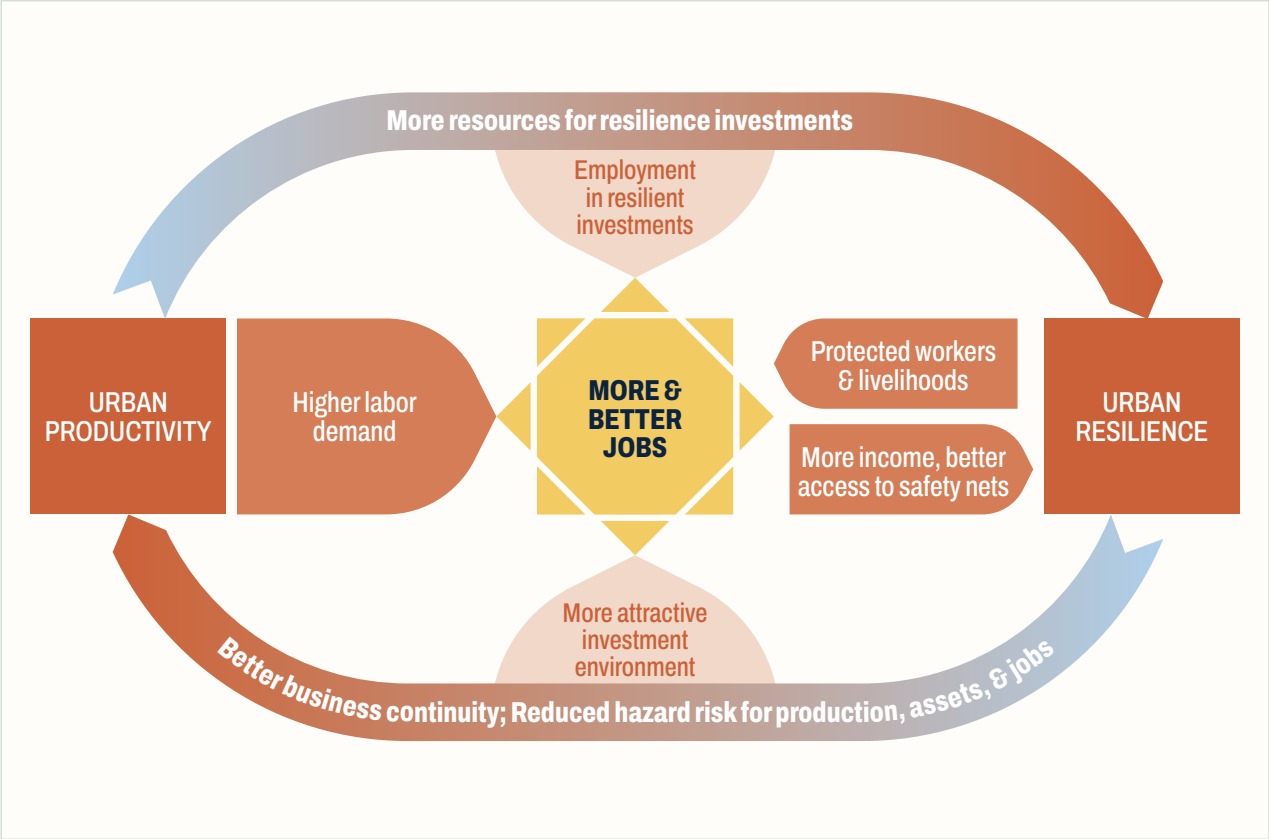
***Vibrant Cities* (Lall et al. 2023) argued that addressing congestion forces can not only raise a city's productivity but also its ability to compete in global tradables.** Reducing congestion costs can reduce operating costs for businesses and improve the matching of workers to firms. By making the city more efficient, these efforts can help a city's firms to compete on global markets. Goods or services that can easily be traded internationally will tend to be purchased from the most efficient global producer. If high urban costs drive local price levels and production costs are too high, this can price cities out of tradables competitiveness, whereas low urban costs can help keep tradables competitive (Venables 2017). This is why price levels in (relatively tradable) manufacturing are similar around the world: Firms that cannot produce at internationally competitive costs tend not to survive. This contrasts with non-tradable services, for which prices vary widely across countries and have converged less over time, because competition is mostly local (Mano and Castilla 2015).

The spatial equilibrium model of Cairo developed in *Vibrant Cities* finds that better connecting Cairo's fragmented and congested labor market and employment centers may help shift employment toward globally tradable goods and services—substantially boosting output and welfare. Ambitious investments (already under way) to tackle central congestion and connect Cairo's outlying 'New Cities' with older neighborhoods—a large expansion of the central metro system, plus a new monorail and a new e-train—are predicted to increase output in Greater Cairo by almost 6 percent, with the largest gains in tradable services. By better connecting Cairo's fractured urban fabric, the shares of labor in manufacturing (+4 percentage points) and in tradable services (+2 percentage points) are expected to increase, while the share of labor in non-tradables will decline (–2 percentage points) (Lall et al. 2023). The jobs implications are direct: Tradable sectors tend to offer more and better employment than non-tradable services, while also offering greater opportunity for expansion and productivity growth. The results show that addressing urban congestion and connectivity is a powerful strategy for more and better jobs, not simply a matter of urban planning.

Urban resilience is an increasingly important dimension of the business environment and one in which city planners play a large role. Attractive cities create positive feedback loops between resilience, productivity, and jobs. A more resilient city is a more attractive business environment, in which production, assets, and jobs are at less risk from hazards.

These protections, and the greater investment attraction, raise urban productivity. This greater productivity not only creates more and better jobs directly but also makes more resources available for investments in resilience (Figure 16). A final dividend is enjoyed, as investments in resilience create jobs directly, through their construction and maintenance (World Bank 2026). Investments and policies that make cities more resilient to hazards such as floods, storms, extreme heat, earthquakes, drought, and so on can play a central role in establishing this virtuous cycle of resilience, productivity, and jobs.

FIGURE 16: THE VIRTUOUS CYCLE OF PRODUCTIVITY AND RESILIENCE IN CITIES



SOURCE: World Bank (2025a).

In summary, urban infrastructure and services are not additional to job creation strategies—they are foundational. MENA cities must ensure infrastructure keeps pace with density to unlock both latent productivity gains and the direct labor market benefits that translate urban density into urban prosperity.

Productive Density: *The Challenge in MENA*

There is evidence that congestion forces are undermining the promise of agglomeration economies in several MENA cities. Despite the economic potential of agglomeration economies, this report's benchmarking analysis (Section 1.2. City Characteristics Linked to Productivity) suggests that where MENA's dense populations are not supported by adequate infrastructure and planning, productivity suffers. This likely reflects congestion forces: Without proper urban service provision, dense populations overwhelm poorly planned transport, water, sanitation, land, and digital networks, reducing service quality and undermining the productivity gains that should come from urban density.[12] These findings are consistent with earlier analyses of 'sterile agglomerations' in MENA. *Vibrant Cities* (Lall et al. 2023) argues that MENA's cities have urbanized without fully converting density into productive agglomeration economies, due to congestion, fragmented land use, and labor market dysfunction. And when available, infrastructure and services in MENA cities are also exposed to hazards that undermine the virtuous cycles of resilience, productivity, and jobs discussed above, including extreme heat (Box 10), flooding and sea level rise (Box 9), and drought.

BOX 9. FLOODING AND SEA LEVEL RISE IN EGYPT, DJIBOUTI, AND YEMEN

Shifting rainfall patterns and inadequate preparedness have driven significant flood damages across MENA in recent years, affecting cities including Dubai, Cairo, Kuwait, Riyadh, Casablanca, Alexandria, Doha, and Muscat (Alhammadi and Hong 2026; Loudyi and Kantoush 2020).

IN EGYPT, Alexandria faces significant climate-related exposure, with 23–30 percent of its building stock at risk from coastal flooding — a challenge shared by many coastal cities compounded by overloaded urban drainage and fast urban growth, with indirect losses from disrupted services, mobility, and heritage infrastructure adding substantially to direct damages (**World Bank 2022a**). Densely populated cities and low-lying urban areas along the Nile Delta are the most susceptible, putting coastal and blue economies at risk—including tourism, ports and marine transport, fisheries, and aquaculture.

IN DJIBOUTI, single flooding events in Djibouti City—home to 73% of the national population—can cause up to US$47 million in damages (World Bank 2024b). Damages are exacerbated by inadequate drainage infrastructure and uncontrolled urban growth. By mid-century, extreme climate events and rising sea levels are expected to cause US$48 million in annual losses and damages in Djibouti City. Critical areas hosting economic activity, assets, and labor are highly susceptible to flood risk, including Djibouti City's Peninsula, Balbala District, and port (which serves as the Horn of Africa's key transport hub and a major economic driver for Djibouti).

IN YEMEN, five extreme summer flooding events in the past six years caused a combined US$1.6 billion in direct damages to infrastructure, buildings, and agriculture (World Bank 2024c). One-third of the most recent event's damages concentrated in the coastal cities of Aden and Al-Hodeida, with additional compounding losses expected from disrupted trade, reduced harvests, and a weakened labor market.[14] Yemen's flood impacts are exacerbated by inadequate disaster risk management systems and infrastructure as well as outdated early warning systems.

12 Some of the negative association may also reflect that lower-income populations can typically afford less space per capita, resulting in denser settlements.

13 Data from World Bank Global Rapid Post-Disaster Damage Estimation (GRADE) assessments. GRADE assessments are not publicly disclosed. Full citations: (a) GFDRR and World Bank. 2025. "GRADE Note: Impact of the August 2025 Floods on the Republic of Yemen." (b) GFDRR and World Bank. 2024. GRADE Report: *Impact of the August 2024 Heavy Rains and Flash Floods on the Republic of Yemen*. (c) World Bank. 2022. "Rapid Damage and Needs Estimate: The 2022 Monsoon Floods in Yemen."

Many large MENA cities possess underutilized land in strategic central locations that suffers underinvestment today but is ripe for revitalization, to create more productive density. This includes several coastal waterfronts, riversides, and heritage districts, as well as brownfield industrial sites around key transport corridors. These neighborhoods often hold latent potential in high job-creating sectors such as creative industries, offices, and tourism and could help attract talent and investment by raising the level and quality of urban amenities.

More broadly, urban services have often not kept pace with density and demand in MENA. Less than half of urban residents have convenient access to public transport (34 percent in the Mashreq), and less than two-thirds have access to safe sanitation (Wibisana and Roberts 2024). In the latest WBES,[14] MENA firms report challenges in accessing land, electricity, water, and transport:

LAND: WBES data show access to land is a priority obstacle for 25–40 percent of firms in the capital regions of Jordan and Saudi Arabia, and 5–10 percent in the capital regions of Morocco and Iraq (Figure 23). Yet, vacant land is pervasive among many MENA cities, sometimes exceeding 75 percent of the urban footprint (Corsi and Selod 2023). Amman's vacant land in 2015 was estimated to be sufficient to accommodate all the city's population growth until 2030; despite this, the city's vacant land is taxed at only 0.04 percent of rental value, limiting incentives against speculative holdings (World Bank 2018). Several MENA cities suffer complex land systems mixing customary and traditional rights with modern laws, often leaving substantial amounts of land stuck in dispute (Lall et al. 2023).

ELECTRICITY: In one-fifth of MENA cities surveyed, over two-thirds of firms experience regular electrical outages. In some regions (including around Sfax in Tunisia, Aden in Yemen, and northern Iraq), electricity outages are experienced by 65–99 percent of firms (Figure 24). Unreliable power is particularly challenging given MENA's high electricity consumption per unit of output.

WATER: At least 30 percent of firms reported insufficient water supply in parts of Egypt, Iraq, Jordan, Tunisia, and Yemen (Figure 25). Water access challenges may become more acute with climate change, as higher temperatures increase demand while reducing supply.

TRANSPORT: Deficient transportation is a major or severe obstacle for 20–70 percent of firms in all regions of Tunisia; the capital regions of Egypt, Jordan, and Yemen; northern Iraq; and Morocco's northern coast (Figure 26). This reflects challenges in intracity, intercity, and cross-border transport.

Digital connectivity is also not immune to temporary congestion in cities, requiring proactive investment to keep pace with increasing demand. In the Maghreb, the vibrant tourism sector, particularly during peak summer months, has led to increased demand that temporarily affected internet broadband speeds, as observed during summer months over the 2021–2024 period. This highlights an opportunity to enhance digital infrastructure to ensure consistent, high-quality connectivity, which would further support the expanding tourism economy and bolster the productivity of local firms reliant on stable broadband connectivity.

14 Based on WBES, 2009–2024, WBES. Based on results for subnational locations across seven MENA countries with available data: Jordan, Saudi Arabia, Morocco, Iraq, Egypt, Tunisia, and Yemen. Firms surveyed by WBES are mainly from urban areas.

Such enhancement of the digital infrastructure has been evidenced in Tunisia, Morocco, and Algeria by the launch of the 5G technology in 2025, resulting in significant improvements in mobile download speeds, demonstrating the effectiveness of targeted investments in meeting rising demand.[15]

Inadequate management of density may also be contributing to lost human capital due to health externalities, undermining labor productivity and employment outcomes in MENA. MENA's cities have some of the highest levels of air pollution globally, with known impacts on health and human capital (Vashold et al. 2022). Fewer than two-thirds of MENA's urban population have access to safe sanitation (Wibisana and Roberts 2024). Many metropolitan areas already experience over 100 days of extreme heat annually (Box 10). Noncommunicable diseases (NCDs)—such as diabetes and cardiovascular diseases—account for 4.5 percent of GDP due to lost labor productivity in Saudi Arabia and affect one-quarter of adults in Saudi Arabia, Morocco, and Lebanon by age 55 (Morgandi et al. 2025). These outcomes are directly affected by urban planning, including the management of environmental pollutants and urban heat exposure, provision of basic sanitation and green infrastructure, as well as the promotion of active transportation modes (pedestrian mobility and biking).

BOX 10. MANAGING URBAN HEAT TO ATTRACT AND RETAIN TALENT AND INVESTMENT

The capacity of MENA cities to attract and retain talent and investment increasingly depends on their ability to manage urban heat. The region has already warmed by 1.35°C since 1990, and many metropolitan areas now experience over 100 days of extreme heat annually. An analysis of firm-level data from seven MENA countries over 2019–2024 finds that nearly 30 percent of firms, accounting for 20 percent of employment, have been facing 100 days of extreme heat annually. These temperature shocks are eroding productivity and profitability at rates comparable to major macroeconomic crises.

Consistent with global evidence (for example, Adhvaryu et al, 2020; Ioannou et al. 2023; Kjellstrom et al. 2019; LoPalo, 2023; Somanathan et al. 2021), the firm-level evidence from MENA shows that extended periods of extreme heat reduce labor productivity and wages significantly. Firms' exposure to an additional 17 days of extreme heat per year experience averages costs including a 6 percent decrease in sales, 4 percent reduction in labor productivity, 2 percent reduction in employment, 8 percent decline in wages, and 3 percent reduction in capital utilization. Heat exposure degrades not only physical working conditions but also cognitive performance, absenteeism, and morale. For urban economies that aspire to host knowledge-intensive and export-linked activities, these dynamics directly reduce attractiveness to skilled workers and global firms.

Despite the costs, adaptation remains rare. Only one-tenth of surveyed MENA firms have invested in cooling or water management improvements, despite clear productivity payoffs. The findings suggest that heat stress is not merely a climate challenge but also a product of underinvestment and market failure that policy can address.

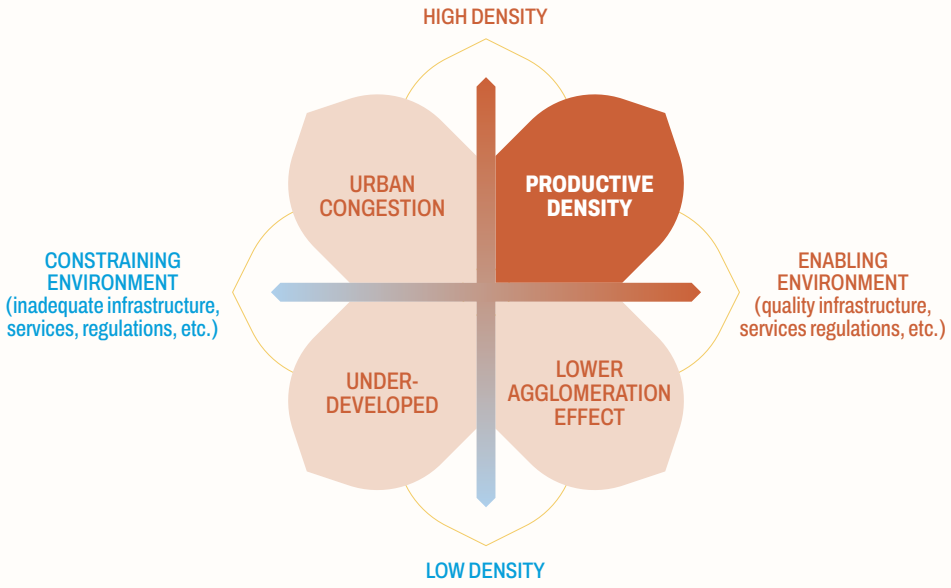
SOURCE: World Bank (Forthcoming b).

15 This assessment is based on the World Bank's analysis of Ookla Speedtest Intelligence® data from January 1, 2018, to December 31, 2024.

Productive Density: *The Policy Toolkit*

Productive density requires both a density of firms and people and a supportive environment for agglomeration economies and well-functioning labor markets. In this sense, productive density comprises, on the one hand, 'absolute density' (that is, population density) and, on the other, an urban environment that translates density into productivity by managing the costs of congestion. In Figure 17, this means moving toward the green 'high density/strong supporting environment' zone in the top right by overcoming challenges of low absolute density, weak foundational infrastructure, or both.

FIGURE 17: A QUADRANT DIAGRAM TO ILLUSTRATE PRODUCTIVE DENSITY



Source: Original theoretical illustration.

MENA cities can use several levers to develop more productive density:

- **Address service gaps, especially in economic locations, to make agglomerations productive.** Cities need to provide the services and infrastructure necessary to make density productive. Basic infrastructure and services need to be reliable, efficient, accessible, and affordable, including water, sanitation, transport, internet connectivity, health, and education. Cities can also use their levers to improve energy services, such as supporting energy efficiency and decentralized rooftop solar. Managing environmental risks—such as air pollution, heat

exposure, and flooding—is also important: These affect human capital, firm operating costs, and risks and attractiveness to investors and talent. As well as addressing backlog needs, cities should plan infrastructure provision in areas of anticipated growth, so that congestion and under-servicing do not choke emerging economic opportunities before they take hold.

In high-demand land market, regenerate underutilized prime urban land to create investment-ready locations for firms and workers with productive, livable density. Industrial parks and free-trade zones are relatively well developed in many cities, but underutilized brownfield neighborhoods represent significant untapped potential. Coordinated planning and investment can activate this latent value, creating mixed-use environments—combining commercial space, housing, amenities, and public realm improvements—that attract both firms and the skilled workers they need. Enabling tools include land use rights reform, land readjustment mechanisms, and taxes on underutilized land. Two case studies illustrate different pathways: Kobe's post-earthquake waterfront redevelopment created pedestrian-friendly, mixed-use districts connected by automated transit; Medellín's integrated investments in dense hillside settlements bundled infrastructure, social services, housing, and public space, producing a 45 percent rise in property values (Heneine 2026).

PHOTO: hasan on Adobe Stock

Encourage compact, connected, cities to integrate labor markets and raise productivity. Planning tools such as zoning, masterplans, and mass transit investment can encourage compact urban growth that reduces travel costs between workers and firms, improving access to talent and lowering the cost of delivering city services. Cities should ensure strong transport links between key economic locations—trade infrastructure (for example, airports, ports, and so on), residential areas, and business districts—and locate new economic centers such as industrial zones where access to workers, markets, and trade assets is the greatest. Critically, urban connectivity must encompass housing: Ensuring affordable housing is accessible near employment centers, and that transit bridges the gaps where it is not, is fundamental to ensuring workers' can access job opportunities efficiently across the city and to attracting talent from beyond the city (Box 13). Cities should also support the connectivity of complementary firms within the city. The spatial clustering of complementary firms can encourage a productive sharing of ideas, services, and labor markets. Kobe's Biomedical Cluster exemplifies this: Hosting 370 firms, laboratories, universities, and hospitals—along with housing—within 2 km² has accelerated translation of research into clinical application and market-ready innovations (Heneine 2026).

TABLE 2. HOW CASE STUDY CITIES MARSHALED PRODUCTIVE DENSITY FOR MORE AND BETTER JOBS

CITY	KEY ACTIONS TO PROMOTE PRODUCTIVE DENSITY
Medellín, Colombia	Urban transport investment to connect select neighborhoods to central city Mobilization of underutilized land Smart spatial value chain integration, such as Science, Technology, and Innovation (STI) cluster close to university
Bilbao, Spain	Brownfield waterfront redevelopment with environmental remediation, densification, and high-end use including tourism Mass transport across the city
Kobe, Japan	Early on, concentration of reconstruction efforts on a few neighborhoods, promoting mix-use and transport Urban center redevelopment, densification, and high-end use/waterfront, connected through mass transport Port island developed as integrated job and housing center, connected to center
Cape Town, South Africa	Investment in urban transport Redevelopment of previously degraded and underutilized brownfield waterfront, with densification, and high-end use around tourism facilities
Gaziantep, Türkiye	OIZs integrated with residential areas for better access to labor and connected through a 25 km commuter line to the central business district

NOTE: Summarized from Heneine (2026).

PHOTO: Ahmed on Unsplash

2.2

Market Connectivity

Market Connectivity: *Why It Matters*

Access to large external markets can allow MENA cities to create more jobs by transcending local demand ceilings. This report's benchmarking shows that coastal and border cities with international market access perform significantly closer to the global frontier than inland cities. This is consistent with the theory (Venables 2017) that cities confined to local markets face demand ceilings that limit growth—as their production (supply) expands, local prices fall, and returns decline, constraining further growth and job creation. By contrast, cities integrated into larger markets—such as global consumer markets or regional value chains—can expand production and employment without hitting these constraints, experiencing some of the most rapid job creation globally (World Bank 2009). Furthermore, if a city can succeed in achieving rapid growth of its tradables sector, this will, in turn, spur accompanying growth of incomes in its local non-tradables sector, as the income brought into the economy gets spent on, among other things, local services. For MENA, with its relatively high urban primacy, international trade may be especially critical for job creation, preventing domestic market saturation by outsized primate cities that would otherwise limit job growth (World Bank 2020).

Alongside physical connectivity, digital connectivity is increasingly important to cities' market access. While physical trade infrastructure connects goods to markets, digital infrastructure can directly connect workers—including women, youth, and people with

disabilities—to employment opportunities that would otherwise be inaccessible. Services accounted for 25 percent of global trade in 2024, with global service exports growing more than twice as fast (5.3 percent annually) as goods exports (2.5 percent) from 2014 to 2024. Digitally deliverable services grew even faster at 6.4 percent per year (UNCTAD 2025). Studies find that increased broadband access boosts productivity, stimulates innovation, and enhances economic growth (Katz and Callorda, 2018; Katz and Jung, 2021; Katz et al. 2025; Purnama 2018).

Market access also matters for the quality of jobs. The importance of tradable sector specialization for the quality of urban jobs and productivity is well established in prior literature (for example, Kilroy et al. 2015) and documented for MENA specifically (for example, World Bank 2020, 2024d). Export-oriented tradable sectors—such as manufacturing, tourism, call centers, and high-end services—tend to offer more and better employment opportunities than non-tradable sectors confined to local markets, and greater access to external markets is a necessary condition for MENA cities to diversify into these higher-quality employment sectors. Cities with fast income growth in recent decades have often been led by an expansion of their tradable manufacturing and services sectors (Kilroy et al. 2015).

Despite the particular benefits of connectivity to large, international markets, expanding domestic market connectivity is also critical. Domestic trade also raises the market size accessible to a city's firms—albeit within the confines of domestic rather than global market demand—while allowing the country's portfolio of cities to enhance their productivity by specializing and trading. As well as trade between national cities, connectivity to the hinterlands around cities also provides important fuel for an urban economy. Certain high-potential tradable growth industries, such as tourism and agro-processing, require strong connectivity between the city and relevant surrounding or rural assets. Providing services to surrounding households and enterprises is central to the economies of many small cities, despite limits to the growth this can sustain (Kilroy et al. 2015).

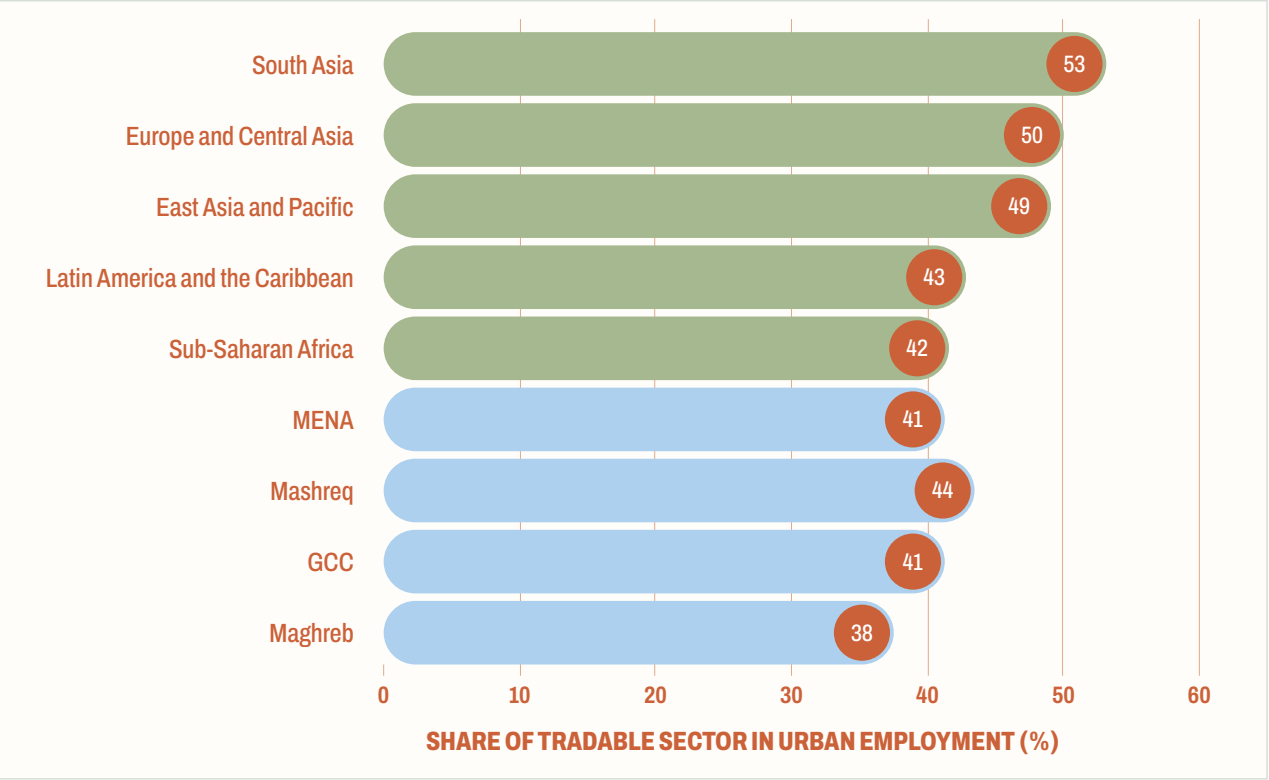
Market Connectivity: *The Challenge in MENA*

For boosting external connectivity, MENA's geographic position is an asset. The region enjoys proximity to large, high-income markets in Europe (particularly for coastal Mediterranean cities), as well as infrastructure connections to growing markets in Asia through the Red Sea and the Persian Gulf. In fact, MENA hosts three of the world's best-performing deep seaports, maximizing the benefits of its long and strategic coastline on global maritime routes, as well as two of the busiest airports worldwide by passenger and cargo volumes (ACI 2024), while on land, improved infrastructure to support regional integration (including rail) is under way.

Yet, despite MENA's geographic advantages, the region has significantly underexploited its connectivity potential for job creation. MENA cities currently tend to have low tradables production relative to their income levels. MENA has lower urban employment shares in tradables, on average, than Sub-Saharan Africa, despite MENA's much higher income levels

(Figure 18). MENA's exports often take the form of raw or semi-processed goods with limited domestic value addition—such as in countries with dominant oil exports—while MENA's shares of global intermediate, consumer, and capital goods exports are substantially below its share of global GDP (World Bank 2020). Catching up in the production of diversified, value added tradables can support stronger firm growth, productivity, and jobs performance in MENA's cities.

FIGURE 18: SHARE OF TRADABLES IN URBAN EMPLOYMENT: MENA AND OTHER REGIONS



Note: Original figure draws on Oxford Economics data 2015. The non-tradable sector is defined as "consumer services + public services" and the tradable sector as "agriculture + financial and business services + industry + transport." Maghreb refers to Algeria, Libya, Morocco, and Tunisia; Mashreq to the Arab Republic of Egypt, Iraq, Jordan, Lebanon, and the Syrian Arab Republic; and the GCC to Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE.

Source: World Bank (2020).

Constraints on digital access and readiness have limited some firms' and workers' opportunities to engage in the digital economy. In Algeria, Morocco, and Tunisia, broadband coverage and quality are significantly correlated with city GDP,[16] while firm-level evidence from Tunisia finds faster internet speeds are associated with higher firm profits (World Bank analytic

16 Analysis based on ongoing work by the World Bank (2025) background for this report, 'Broadband coverage and QoS in Functional Urban Areas (FUAs) of Algeria, Morocco and Tunisia'. The correlation is not robust to controlling for road density.

work). Yet, while some MENA countries enjoy near-universal internet use, access remains limited in Libya, Syria, and Yemen, while affordability creates barriers in other contexts, such as Lebanon, where mobile data costs can reach 10 percent of monthly income (Morgandi et al. 2025). MENA has been assessed as significantly less ready to implement AI than other regions, due to digital infrastructure gaps, human capital deficits, and regulatory frameworks (Morgandi et al. 2025). Closing these digital gaps can help MENA workers and firms access some of the fastest-growing segments of global employment (Box 11).

PHOTO: Getty Images on Unsplash

BOX 11. DIGITAL OPPORTUNITIES IN THE GIG ECONOMY IN MENA

MENA accounts for around 4 percent of global workers in the online gig economy. Egypt alone supplies about 2 percent of this global workforce. Software development and technology engage between 38 and 50 percent of gig workers across major MENA countries, demonstrating the region's potential to compete in high-value digital services. Online gig workers report valuing the flexibility offered, and MENA's online gig workers tend to be younger than traditional service workers, while women represent 28 percent—with peaks in Lebanon (38 percent), Saudi Arabia (33 percent), and the UAE (32 percent). Online gig work is particularly important in secondary cities, where skilled job opportunities are limited.

SOURCE: Morgandi et al. (2025).

Market Connectivity: *The Policy Toolkit*

Improving market connectivity requires coordinated action at multiple levels. National policies matter: MENA countries have, on average, higher tariffs and service trade restrictions than peers in other regions (World Bank 2020). However, city-level actions can also play a critical role by making cities more *connected* to, and more able to *compete* on, external markets.

- **Focus on tradables as a driver of growth, building on anchor trade assets.** Cities should anchor growth and job creation around their core trade assets—the infrastructure that connects them to global, regional, and national markets. Anchor trade infrastructure differs by location but may include ports, airports, borders, national transport infrastructure, logistics centers, and digital networks. Cities should anticipate and strategically plan for the nearby economic development associated with trade assets—facilitating access to land while managing congestion forces around these in-demand locations and ensuring deep integration with the broader urban economy. This means identifying, unlocking, and servicing suitable land for firm growth in locations proximate or well connected to trade assets, such as along transit corridors or in their immediate surroundings. By focusing economic strategy on these tradable sectors and the infrastructure that enables them, cities can build productive agglomerations capable of sustained job creation and growth.

- **Connect trade assets to strategic economic locations and integrate them into the wider urban landscape.** Cities should invest in connectivity from those assets and surrounding economic areas to key economic centers, which offer administrative and financial services important to businesses. Tourists also depend on good connectivity to international airports, domestic transportation, and internet access. Critically, cities should ensure seamless labor market integration by connecting key population centers to these locations through transit and by enabling nearby housing options suitable for workers, including rental and affordable units. Connections should also flow outward to complementary productive assets—linking airports to tourism sites or ports to farther special economic zones—so that the full value of anchor infrastructure can be captured across the urban economy. In Morocco, the development of Africa's largest container port (Tanger-Med) 35 km from Tangier was paired with strategic highway and rail upgrades that enabled rapid intermodal transfers and connected firms and workers in surrounding urban centers to the opportunities created (Kilroy et al. 2015).

- **Pursue hinterland integration to extend the reach of trade assets.** Not only global markets but also nearby agglomerations and rural assets can be harnessed to fuel economic outcomes in the city. Cities should look beyond their administrative boundaries to connect with surrounding economic assets—such as tourist offerings in the wider region, agricultural production, consumer bases in nearby towns, or lower-cost land suitable for firms that cannot afford core urban locations. Strong hinterland connections expand the effective market size of the city, deepening its pool of workers, inputs, and consumers and enabling productive specialization across sub-locations within a wider region. High-potential tradables such as

tourism can draw on natural and cultural assets dispersed across the region, while agricultural value chains can be anchored in urban processing, logistics, and export infrastructure. In turn, cities have an important role to play in improving economic outcomes in surrounding areas—by extending connectivity, services, and market access to towns and rural communities that may otherwise remain disconnected from the opportunities that agglomeration and trade-oriented growth creates.

Digital connectivity can offer new opportunities, expected to grow steadily in the near future. The digital transition is already an imperative to compete globally. Digital connectivity can directly expand employment opportunities for MENA workers, including women, youth, and people with disabilities who may face barriers to traditional job markets, while also supporting firms to raise productivity. Ensuring that key economic locations have robust digital infrastructure can no longer be optional.

TABLE 3. HOW CASE STUDY CITIES MARSHALED MARKET CONNECTIVITY FOR MORE AND BETTER JOBS

CITY CASE	KEY ACTIONS TO PROMOTE MARKET CONNECTIVITY
Bilbao, Spain	Hinterland integration with tourism destinations Metro integration of economic zones Mass transit to airport
Kobe, Japan	Regional integration of medical research and pharmaceutical networks New airport integrated with multimodal transit (ferry, tramway, and highway)
Cape Town, South Africa	Strong focus on tourism as economic driver Hinterland integration of tourism destinations Airport development and mass transit to airport International sport events anchor investment in structural infrastructure
Gaziantep, Türkiye	OIZs located close to large transport infrastructure and dry port for better access to international market

NOTE: Summarized from Heneine (2026).

2.3 Attractiveness to Investment and Talent

Attractiveness: *Why It Matters*

Cities compete nationally and globally for productive firms and talented workers. As outlined in Part I, attracting dynamic, large firms and inward investment can catalyze urban economies through both direct impacts and spillover effects on local suppliers. But at least as important is creating an environment where high-potential small and domestic firms—which account for most jobs in MENA cities—can grow and raise their productivity, to also contribute to creating more and better jobs. Attractiveness is about creating an enabling environment where all firms can be productive and all workers can contribute their full potential and communicating and marketing this to potential investors.

To thrive and boost job creation, firms need a strong and reliable business environment. The importance of reliable utilities and properties rights was surveyed in Section 2.1. Reyes et al. (2021) find that protection from crime and corruption, reliable infrastructure, and access to finance are critically important for firm employment and productivity growth. Streamlined regulations for firm entry can also significantly boost the creation of new firms and jobs (Cheng et al. 2024). Although reform efforts often target the attraction of large international investors, several studies find particularly strong impacts from improving business conditions for financially constrained and risk-averse entrepreneurs (Cheng et al. 2024) and small firms (Chambers et al. 2022; Reyes et al. 2021).

Productive firms also often need a competitive supply of human capital. Cities compete nationally and globally not just for investment but also for talent and skills. Demand for human capital intensifies with income growth (World Bank 2024a), and the most productive firms—capable of producing high-quality jobs—tend to seek more highly skilled workers (Criscuolo et al. 2024). At the city level, a doubling of a city's stock of human capital on average leads to a 50 percent increase in the city's productivity (Quintero and Roberts, 2023). Thus, cities that attract and nurture talent through reliable services, attractive living environments, affordable housing, and active skill development can in turn attract and support more productive firms and better employment prospects.

A more flexible, responsive labor supply leads to higher job creation as productivity improves—and cities have several levers to improve labor supply responsiveness. A city's employment growth in response to productivity gains depends on how readily labor supply expands in response to wages (Box 12). Where labor supply is constrained—because workers lack the right skills, face barriers to participation, or cannot easily move to where

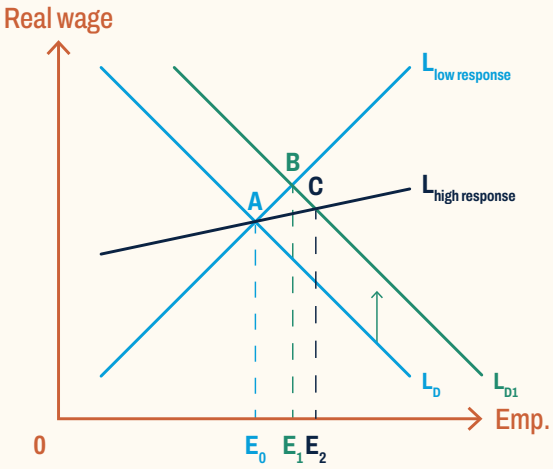
opportunities are growing—much of the productivity gain shows up as higher wages rather than new employment (Box 12 illustrates this mechanism in greater depth.). Both outcomes matter for the dual jobs agenda (more and better jobs), but a city that can expand its labor supply captures more of each productivity gain as new jobs. In MENA, limited internal migration and women's low labor force participation are significant constraints on labor supply responsiveness, which cities can directly address to translate urban productivity gains into higher employment growth.

BOX 12. LABOR SUPPLY RESPONSIVENESS: THE MISSING LINK BETWEEN PRODUCTIVITY AND JOBS

How much does a given productivity gain translate into new employment? The answer depends not only on the size of the shift in labor demand but also on how readily workers enter the labor market in response to rising wages—the responsiveness, or elasticity, of labor supply.

Figure 19 illustrates the point. In both cases, labor demand shifts right by the same amount (L_D to L_{D1})—the same productivity improvement. But where labor supply is less responsive (the steeper curve), employment increases only modestly (E_0 to E_1), while most of the productivity gain shows up as higher wages. Where labor supply is more responsive (the flatter curve), the same productivity shock generates substantially more new employment (E_0 to E_2), as more workers enter the market attracted by rising wages.

FIGURE 19: THE IMPACT OF A SHIFT RIGHT IN LABOR DEMAND UNDER MORE- AND LESS-RESPONSIVE LABOR SUPPLIES



NOTE: This figure illustrates an outward shift in labor demand (L_D to L_{D1}) resulting from an increase in labor productivity. With a less responsive labor supply curve (represented by line Llow response), employment levels increase from E_0 to E_1. When labor supply is more responsive to wages (represented by line Lhigh response), employment levels increase more, from E_0 to E_2, in response to the same productivity shock.

This has direct implications for MENA. A region where women face significant participation barriers, where youth face skills mismatches, and where workers cannot easily migrate to where jobs are growing will have a less-responsive labor supply—and will therefore capture less of any productivity gain as new employment. Raising labor supply responsiveness—through transport, childcare, skills development, affordable housing, and labor market information—elevates the employment gains from every productivity improvement the urban framework delivers.

Productivity growth is a powerful driver of employment and job quality, and the right policy environment can ensure its benefits are widely and rapidly shared. Managing the transition matters: Productivity gains can temporarily bypass some workers, and in cases where capital substitutes for labor, short-run job displacement is possible—though these effects are typically more than offset by longer-run gains in product and labor demand (Roberts 2003). Strategic social protection systems and ALMPs are well placed to address this need, by facilitating more effective worker-firm matching, building skills, and addressing the liquidity carriers that can slow workers' access to new opportunities (Carranza et al. 2026), speeding the transition to more inclusive growth.

Delivering attractiveness to investment is not only about improving conditions for firms: It is also important to signal these improvements to potential investors. Even where the enabling environment is strong, cities attempting to break into new tradable sectors or develop new economic clusters face a structural 'first-mover' problem. Agglomeration economies—the very productivity gains that make cluster development so valuable—depend on a critical mass of co-located firms, workers, and suppliers. No individual firm wants to be the first into an underdeveloped location, where the agglomeration benefits they need do not exist unless or until others arrive. This creates a vicious cycle: Low initial scale generates low agglomeration benefits, which deters investment, which perpetuates low scale (Venables 2021). Governments and development agencies have often tried to solve this by acting as developers themselves—investing directly in buildings, new cities, or industrial districts in the hope of seeding agglomeration. MENA's experience with ghost cities and under-occupied new towns is a cautionary tale of how costly this approach can be when it is not grounded in realistic expectations of private demand (World Bank 2024d). The more effective lever is coordinating private expectations rather than replacing private investment: providing credible signals—through anchor infrastructure, flexible land rights, transparent planning frameworks, and investor dialogue—that other complementary investors will also commit. When cities can credibly signal that a new location or sector will reach critical mass, the first-mover problem can be resolved and private investment and job creation at scale can follow.

Attractiveness: *The Challenge in MENA*

Shortcomings in the institutional enabling environment and human capital mobilization may be undermining the attractiveness of MENA's cities as destinations for investment and talent, limiting the quality and quantity of private job creation.

Business environment shortcomings may be deterring investment in MENA. While cities may not be able to resolve all national policy and political economy constraints, they have important roles in ensuring reliable basic services, facilitating access to serviced land, streamlining local permits and procedures, improving the quality of local governance, and addressing local risks. The shortcomings in utilities and access to land (surveyed in Section 2.1)

erode the business environment, reducing the productivity of MENA's urban firms and deterring inward investment.

Human capital also remains underutilized in MENA, despite its role in attracting and supporting firm dynamism. MENA has vast reserves of underutilized human capital, in its female labor force participation, residents who are stuck in places disconnected from employment opportunities and mismatched skills.

WOMEN'S LABOR FORCE PARTICIPATION

Despite high education levels, fewer than one in five women are active in the labor market. This compares to more than half in all other regions though outliers such as Qatar, Kuwait, and the UAE, for example, have achieved female labor force participation rates close to or exceeding global averages (Figure 28). Cities miss significant returns on prior educational investments, plus the human capital enhancements that occur through work experience, when women remain outside the labor force. Closing the gender employment gap could raise per capita income by 51 percent in a typical MENA country (Gatti et al. 2024). Cities that unlock this potential simultaneously expand their labor supply and enhance their attractiveness to productive firms.

Increasing women's employment rates requires a whole-of-society approach to change family, social, hiring, and legal dynamics but is achievable. Saudi Arabia successfully doubled women's labor force participation rates to about 35 percent over two decades through concerted efforts. The gap between male and female labor force participation is narrower in MENA's cities, versus rural areas (Figure 30), and since 2017, female labor force participation has been higher in MENA's cities than rural areas (Figure 29), suggesting cities can support women's employment outcomes. However, significant potential remains untapped.

Women's labor force participation is affected by city-level constraints, such as in transport and child/eldercare services. Large percentages of nonworking women report that transport challenges prevent them from looking for work (6 in 10 in Amman, 5 in 10 in Beirut, and 4 in 10 in Cairo) (Alam and Bagnoli 2023; Lall et al., 2023), and indeed, better urban transport infrastructure (proxied by road density) is positively associated with female employment shares across MENA (Figure 31 and Figure 32). In value surveys such as the Arab Barometer, women report the lack of childcare as the main barrier to employment, while legislation in 14 MENA countries requires families to be responsible for eldercare, which disproportionately affects women as primary caregivers (ILO 2023).

MIGRATION

MENA is notable for its low rates of internal migration. MENA workers are half as mobile domestically as those in other regions, despite high-potential welfare returns of doing so (World Bank 2020). MENA's lack of internal mobility may contribute to urban labor supplies that are less responsive to improvements in labor demand, reducing the employment impacts

from productivity investments. As outlined in Box 13, challenges of accessing well-located, affordable, flexible housing may contribute to this lack of national labor mobility. High homeownership rates and thin rental markets make it more costly for workers to relocate to access jobs, and a shortage of affordable housing with strong access to employment centers raises the effective costs of labor and constrains talent attraction. Those considerations are highly relevant to MENA cities, where formal housing markets are strongly guided by homeownership policies.

PHOTO: Bruno Malfondet on iStock

BOX 13. HOUSING FOR MORE AND BETTER JOBS: AFFORDABILITY, CONNECTIVITY, AND RENTAL

Housing creates jobs at scale through housing construction and a myriad of upstream and downstream sectors. Construction is one of the most labor-intensive sectors in any developing economy, and housing is its largest component. In MENA, the construction sector employed approximately 11 million workers in the early 2010s, accounting for over 11 percent of the regional workforce (Estache et al. 2013). The scale of the unmet housing need makes the direct jobs opportunity even more compelling. Housing construction typically directly accounts for 3–5 percent of GDP in these countries and has high output and employment multipliers because it draws on inputs from across the economy (cement, timber, electrical fittings, furniture, financial services, real estate, and so on). A UN-Habitat and ILO review found output multipliers of between two and three times the initial investment in most developing countries (UN-Habitat and ILO 1995), while in the Philippines, every peso spent on housing activities contributes 16.6 pesos to national GDP, and in India, the output multiplier reaches 3.8 (WEF, World Bank, and African Development Bank 2017). For six MENA countries alone—Djibouti, Egypt, Iraq, Jordan, Morocco, and Tunisia—the housing deficit exceeds 5 million units (Behr et al., 2021; CAHF 2024; World Bank Group 2018). Resolving bottlenecks to supply to meet even a fraction of the housing deficit would generate substantial jobs and income growth.

HOUSING, KEY DETERMINANT OF LABOR GEOGRAPHIC MOBILITY

With regard to job creation, affordable housing is more than a direct contributor, it is a key factor of labor markets. Well-located, affordable, and decent housing is critical to allow workers to move to where job opportunities are the greatest. Evidence from 21 European countries finds that countries with the highest per capita GDP growth had the highest rates of reallocation across jobs (World Bank 2024a), underscoring the importance of labor market flexibility and of workers' access to a range of opportunities across urban labor markets.

In MENA, workers often do not move to jobs—and housing may be a central reason. People in MENA are half as mobile domestically as people in other parts of the world. Only 14 percent of MENA households have moved from their place of birth, compared with 28 percent in other regions (World Bank 2020). Workers who cannot find affordable housing in cities where jobs are concentrated cannot move to take those jobs. The economic cost is substantial: Evidence from the region suggests that internal migrants who do manage to relocate to major cities see their living standards rise by an average of 37 percent (World Bank 2020). The workers who remain stuck in place forgo those gains, and the firms that cannot attract them forgo the productivity those workers would have generated.

Globally, a constrained supply of affordable housing has been shown to reduce workers' migration to more productive locations, with high economic costs (Cavalleri et al. 2021; Eliasson and Westerlund 2023; Ganong and Shoag 2017; Hsieh and Moretti 2019). Some populations' migration choices and employment outcomes are particularly sensitive to housing affordability, location (proximity to work), and tenure—including low-skilled workers (Ganong and Shoag 2017) and those who change jobs more often in search of better opportunities (which may include low-income residents, high-skilled workers, and young professionals) (Eliasson and Westerlund 2023). For blue collar work, inadequate and poorly located housing constrains workers' access to jobs and raises firms' effective labor costs. For white collar and technology workers, the lack of modern, affordable housing undermines efforts to diversify toward knowledge-intensive and export-oriented sectors, weakening competitiveness despite investments in education, digital infrastructure, and business climate reforms.

Recent experience in Eastern Europe illustrates these constraints. In several fast-growing technology hubs, firms report increasing difficulty scaling operations because engineers, IT specialists, and managerial talent cannot find suitable housing near employment centers. Countries with high rent-to-wage ratios (that is, Czechia, Estonia, Poland, and Romania) exhibit systematically lower internal labor mobility, as the economic return to relocating for work is eroded by housing costs (Davalos et al. 2018). For secondary cities in the region, the constraint is even more binding: a World Bank analysis of the Western Balkans finds that the ability of smaller cities to attract and retain skilled workers—and thus to compete for technology investment—depends critically on the availability of good-quality, affordable housing and that cities lacking it struggle to retain skilled youth, contributing to skills gaps and anemic entrepreneurialism (World Bank Group 2019).

HOUSING AFFORDABILITY, A FACTOR OF FIRM COMPETITIVENESS

When housing costs in productive urban centers are prohibitive, firms must either pay wage premiums large enough to compensate workers for their housing costs or accept that they cannot attract the workers they need. Either outcome is a constraint on competitiveness because higher wages erode the cost advantage that makes firms viable in tradable sectors, while talent shortfalls limit the knowledge spillovers and specialization that agglomeration is supposed to generate. To attract workers to high-cost locations, firms must compensate for housing and commuting burdens through higher wages, but this can prevent firms from reaping productivity gains and entering international markets because the average wage needed to compensate workers exceeds competitive international standards (Venables 2017). In a region where private sector development is already hampered by weak business environments and limited access to finance, adding a housing-driven labor cost premium is a burden that firms cannot easily absorb.

HOUSING CONNECTIVITY EXTENDS THE LABOR MARKET, ESPECIALLY TO WOMEN

Improved connectivity—in particular to low-cost housing neighborhoods—is one policy solution to housing affordability and supply constraints. Well-located housing is a prerequisite for the kind of dense, connected urban economies that drive firm-level productivity. Good connectivity between housing and employment locations matters substantially for workers' labor market outcomes (Ihlanfeldt and Sjoquist 1998; Kain 1968). Delivering housing proximate to employment locations is one approach, but efficient urban transport systems also raise housing-employment connectivity, while supporting an efficient sorting of jobs into high-productivity locations and residence into high-amenity locations (Heblich et al. 2020; Monte et al. 2018).

Women's employment outcomes may be particularly sensitive to housing location and accessibility. Le Barbanchon et al. (2021) find that women in France value short commutes more than men, accepting jobs with 12 percent shorter commutes but 4 percent lower hourly wages than comparable men, while Farré et al. (2023) find that a 10-minute increase in commuting time in the US reduces the probability of married women participating in the labor market by 4.4 percentage points, while the effect on men is small and statistically insignificant. Farré et al. (2023) find evidence that norms favoring women's role as primary caregivers account for this (the negative effect on women increases with their number of children and is larger among those originating from countries with more gendered social norms).

THE CRITICALITY OF AFFORDABLE RENTAL HOUSING

High homeownership rates, combined with thin and poorly regulated rental markets, raise the transaction costs of relocation. A worker who owns a home faces the prospect of selling at a loss, navigating a slow and costly property transfer process, and finding affordable accommodation in a new city. The 'Oswald hypothesis' (Oswald, 1999) states that high homeownership rates are associated with higher unemployment, because homeowners face greater costs and friction when relocating for work, reducing their labor mobility. This is supported by several empirical studies (Eliasson and Westerlund 2023; Oswald 1999). Cities with sizable rental markets and mixed housing types (for example, affordable/subsidized housing, range in unit sizes, labor and gender-specific housing, and so on) can better support workers to move to employment opportunities, improving employment outcomes. Evidence from Europe and Central Asia shows that countries with rigid rental markets and high homeownership rates, such as the Czechia and the Slovak Republic, exhibit larger regional housing price differentials and lower labor mobility (Arias et al. 2014). MENA's rental markets are similarly underdeveloped, and the consequences for labor market efficiency are analogous.

In MENA, home ownership is at the core of many housing policies, and rental market regulations often constrain labor mobility. In several MENA countries, such as Egypt, Lebanon, and Tunisia, the rental sector has been distorted by long-standing rental control policies, which increased rental affordability but also disincentivized landlords to rent units at a low cost. In Cairo, for example, 68 percent of rented units are leased under Egypt's pre-1996 rent control law, with tenants paying, on average,

eight times less than units under the new rent system.[17] Such rental control policies can limit labor mobility by rooting tenants in place to maintain below-market rate housing (in Egypt, one in three people has lived in the same dwelling for over 20 years),[18] and reduce the rental supply for job seekers (MENA suffers high levels of vacant housing).[19]

However, some MENA countries have encouraged more effective rental markets. The largest rental markets are in the GCC (Saudi Arabia and the UAE), where productivity and job attainment are also the highest in the region.[20] In Jordan, growing rental markets are helping meet the needs of laborers. The number of rental units has more than doubled between 2004 and 2015—with 80 percent of the rentals in the most populous governorates (Amman, Irbid, and Zarqa) where jobs are also concentrated.[21] In Morocco, the share of renters in the urban housing sector has slightly increased from 17 percent in 2001 to 19.7 percent in 2024, despite policies favoring homeownership (CAHF 2024), underscoring the strength of the demand for rental units. The flexibility offered by rental housing is particularly important to Morocco's seasonal tourism employees and foreign workers: 75 percent of the foreign population, of which a large majority is economically active, lived in rental units in 2024.

17 Housing Demand Survey for Egypt, The World Bank & Central Agency for Public Mobilization and Statistics (CAPMAS), October 2019 (Link).
18 Housing Demand Survey for Egypt, The World Bank & Central Agency for Public Mobilization and Statistics (CAPMAS), October 2019 (Link).
19 One in three homes is vacant in Egypt, while one in five homes is vacant in Tunisia and Lebanon (World Bank 2024d). In Lebanon, half of luxury rental units are vacant (Abasa 2023).
20 The Housing Cycle in Emerging Middle Eastern Economies and its Macroeconomic Policy Implications, IMF Working Paper 2009 (Link).
21 Jordan Housing Sector Review: Project P158331, World Bank, May 2018 (Link).

PHOTO: Upslim on Adobe Stock

SKILLS GAPS IN EMERGING SECTORS

Cities face significant skills gaps in sectors representing major job creation opportunities. Many graduates in MENA struggle to find employment, yet in some fields, employers have struggled to find MENA workers with the right skills. This issue may only become more pronounced as around the globe, the need for new skills—especially in IT and AI—are reshaping entire labor markets, affecting wages and hiring. A recently published International Monetary Fund (IMF) report found that already, 1 in 20 job vacancies in emerging economies demands at least one new skill, compared to 1 in 10 in advanced economies (Jaumotte et al. 2026). Another example is green jobs. Job listings for green positions in MENA are nearly double the number of qualified workers, yet green skills and jobs have demonstrated resilience during economic downturns—during general hiring slowdowns, vacancies requiring at least one green skill increased by more than 15 percent (Willige 2024). Green skills are relevant and in demand for workers across many sectors: in Egypt, sectors with the highest share of green skills include construction, water supply, waste management, manufacturing, and wholesale and retail trade (Sabarwal et al. 2025).

Attractiveness: *The Policy Toolkit*

While national policies and conditions are important, cities can play an important role in raising attractiveness to investment and talent to catalyze more and better jobs. They have a role to play both in strengthening urban institutions and in improving the city's supply of human capital, to attract productive investors and firms. Not only large and foreign investors but also small and domestic firms (responsible for most employment in MENA cities) should be actively targeted with the efforts below, to create a more conducive environment for high-potential firms to grow and thrive.

ENABLING BUSINESS ENVIRONMENT

- **Facilitate firms' access to serviced land and registered property.** With 25–40 percent of firms in some MENA capitals citing land access as a top obstacle to doing business, it is critical to ease firms' access to quality, serviced land with secure title, to facilitate productivity growth and expansion. Supplying serviced land goes beyond industrial parks and free-trade zones (many of which are well developed in the region): it also includes using land use planning, zoning, and masterplans to ensure adequate land is available for business operations near strategic assets (trade infrastructure, residential areas, central brownfield locations, and so on), improving the functioning and security of land and property markets (supporting incumbent firms to clarify their land and property rights, and streamlining processes for property acquisition and transfer, building permitting, and so on), and ensuring land is complemented by essential services and infrastructure (Recommendations to close servicing gaps are consolidated in Section 2.1.). Investor-facing institutions (such as investment promotion agencies, special economic zone authorities, one-stop shops, and so on) should not only ensure firms' access to land and services but also communicate plans and achievements in this area, to fast-track the attraction of new investment and job growth.

Streamline business entry and formalization. Cities can complement national efforts to reduce barriers to private investment and formalization, by reducing up-front registration barriers and addressing long-run deterrents to formalization (Ulyssea et al. 2025). Up front, this includes streamlining local business registration and permitting processes, coordinating with national authorities to simplify procedures (such as via investment promotion authorities), leveraging digital platforms for registration and licensing, and providing clear information and guidance to entrepreneurs navigating formalization, where these are barriers. (For evidence on barriers across the region, see, for example, Lopez-Acevedo et al. 2023; OECD 2025.) To make entry and formalization attractive, cities can address local deterrents such as regressive local tax, permitting, or property regimes while also supporting local firms' advocacy with national authorities.

Strengthen basic protection and governance. International evidence suggests that ongoing, fundamental governance protections (such as protection from crime and corruption) matter more than refined regulations or taxes (Reyes et al. 2021). Cities can tackle any corruption and improve transparency in government-business interactions; enhance the predictability and fairness of local regulations and their application; and strengthen contract enforcement, property rights protection, and dispute resolution. Unlike conflict and political instability, crime is less pernicious in many MENA cities; in neighborhoods or cities where crime does affect investment attractiveness, urban levers such as street lighting, neighborhood greening and regeneration, youth programming, and platforms for crime and safety reporting and transparency have been found effective in other contexts (for example, Braga et al. 2019; Branas et al. 2018; Chetty et al. 2016; Heller 2014; Kessler et al. 2022; Kling et al. 2005; Modestino 2019; Welsh et al. 2022).

Market the city. Cities can benefit from dedicated institutions to market them and provide the investor support needed to maintain a strong brand. Business recruitment, facilitation (for example, site selection services and tailored infrastructure), and aftercare can be local or collaborations between city and national entities. National investment promotion agencies, for instance, may market city locations such as technology or industrial parks to investors or operate one-stop shops in the city that facilitate land and building permitting, and so on. Beyond business recruitment activities, cities must use tangible investment and policy levers to credibly signal future development paths. This includes transparent, long-term spatial plans and land use frameworks that create predictable investment conditions; anchoring of public infrastructure (transit connections, utilities, and public institutions) in targeted cluster locations; structured investor dialogue and pre-commitment mechanisms, such as expressions of interest or co-investment schemes, that allow multiple firms to signal intent simultaneously; or special economic zones or cluster frameworks that make the co-location of complementary firms the default rather than the exception.

HUMAN CAPITAL DEVELOPMENT AND LABOR MARKET POLICIES

The short-run labor market disruptions that can accompany productivity-enhancing structural change—job displacement, skill mismatches, and geographic concentration of new opportunities—call for a layered policy response across three interconnected domains: building relevant skills, job search and matching support that reduces information frictions and

mobility barriers, and social protection that provides income security during transitions and removes liquidity constraints. Evidence from rigorous evaluations of more than 100 programs demonstrates that integrated approaches combining elements from all three consistently outperform single-instrument strategies. Social protection systems can provide the income floor that workers need to invest time and money in retraining, job search, and relocation, while ALMPs such as upskilling and job search support provide the bridge to employment and productivity outcomes. Programs should also be tailored to the local context and worker profiles: What works where jobs are abundant and workers are skill-ready (where matching and signaling are the binding constraints) will differ from settings where opportunities are scarce and workers face multiple overlapping barriers. Top-performing programs generate employment gains nearly five times above average—and average impacts that are roughly twice as large in low- and middle-income country settings (Carranza et al. 2026). Cities can play a catalytic role:

- **Strengthen the coverage of and engagement with public employment services (PES) and labor market information systems.** Cities can improve the engagement of local people and firms with labor market information and employment services, by delivering frontline services such as job centers and job fairs and ensuring local jobs information reaches national systems and vice versa. While local-national collaboration can raise the effectiveness of these services, informed, context-appropriate design is important for success (Mergele and Weber 2020; OECD 2023).
- **Build skills for employment transitions and emerging sectors.** Although national institutions often hold mandates for education, cities that transformed their economies often actively engaged in skill development. Evidence shows that training programs paired with internships, mentoring, and job placement support generate significantly larger and more persistent impacts than training alone (Carranza et al. 2026). Cities can forge partnerships between their public and private educational institutions and private sector employers, supported by land use planning that connects these actors, to facilitate these links and develop training programs aligned with cities' industry needs. Skill certification programs that credibly signal worker competencies can improve worker-firm matching, particularly for marginalized groups such as youth and women. Skill building should combine hard sector skills with soft skills and identify and target sectors or skills with demonstrated growth potential, such as green skills (spanning construction, water, waste management, and retail trade), digital services (where 38–50 percent of MENA gig workers are engaged), tourism, and others (based on local market analysis). Gaziantep, for example, established a Vocational Training Center within its industrial zone, and Kobe spatially clustered research institutions with industry, to better link skill development to employer demand. Bilbao established a city agency, Lan Ekintza, to help address a mismatch between labor skills and available jobs resulting from economic restructuring (United Nations 2010). Translated as 'action for employment', Lan Ekintza helped place 2,000 people in jobs and launch 100 new businesses on average every year (Heneine 2026; United Nations 2010).
- **Even where social protection is nationally administered, cities can play an important role in its effective integration with labor market programs.** Cities can work with national institutions to help ensure that residents experiencing job displacement are rapidly connected to available social protection and to quality training, job search, or entrepreneurship support—such as through local employment centers and job information systems and using shared beneficiary registries and referral systems rather than parallel enrollment processes. Cities can advocate for, co-design, and

co-administer 'cash-plus' approaches that layer employment services, skill development, and business development onto social assistance platforms (Carranza et al. 2026).

Improve urban livability to attract, retain, and develop talent. Workers weigh livability—including affordable housing, services, safety, and environmental quality—when deciding where to work. Livable, well-managed urban areas are more likely to attract and retain talent, which in turn attracts higher-capability firms and supports more and better job creation. Higher-quality neighborhoods are also associated with improved human capital accumulation and job outcomes for children over the long run (World Bank 2024a). Improving urban attractiveness to talent includes

- Supporting healthy urban environments, which protect human capital while also attracting talent. This includes improving air quality (such as through green public transit, vehicle emissions standards, clean cooking and heating fuels, and industrial zoning), reducing urban heat risks (such as through shade structures, reflective materials, building standards, heat action plans, and urban greenery), providing universal access to water and sanitation, and prioritizing green spaces and active transportation for better population health;
- Closing other gaps in basic service provision (electricity, transport, education) that affect firm operations, worker well-being, and human capital development;
- Investing in cultural assets, urban amenities, greening, public spaces, transport systems, and safety that support urban attractiveness and neighborhood quality while also supporting the tourism economy;
- Ensuring access to affordable, decent, flexible, well-located housing—including reforming and developing rental housing markets and ensuring availability of smaller units for singles and youth, as well as gender-specific options where appropriate. This is also true for the movement of digital talents to cities where the diffusion of new skills and emerging industries is taking place (Jaumotte et al. 2026).

Efforts to address livability can yield measurable results: Al Khobar, Saudi Arabia became one of the world's most improved cities for livability from 2024 to 2025, rising in the Economist Intelligence Unit rankings owing to Vision 2030 investments in health care and education.

Raise women's labor force participation. Cities can contribute to raising women's labor force participation through several levers:

- Providing safe, reliable, and gender-sensitive public transportation systems. Better urban transport infrastructure is positively associated with female employment shares across MENA (Figure 31), and large percentages of non-working women in MENA cite transport challenges as preventing their job search (6 in 10 in Amman, 5 in 10 in Beirut, and 4 in 10 in Cairo) (Alam and Bagnoli 2023; Lall et al. 2023).
- Improving digital access, including specific targeting of women. Women represent 28 percent of online gig workers in MENA, showing how flexible digital work can overcome traditional barriers to employment.

- Supporting national efforts to shift expectations about gendered work roles and the distribution of caregiving responsibilities (Morgandi et al. 2025), such as providing or facilitating affordable childcare services and making school opening hours compatible with work schedules.
- Strengthening PES and labor market information systems to combat informal hiring processes that exclude women. Many firms in low- and middle-income settings rely on personal contacts and informal referrals when recruiting, which can exclude workers with smaller networks or who face discrimination—including many women and youth (Carranza et al. 2026). Better job-matching services and information systems can help reach qualified workers excluded from informal recruitment efforts, improving inclusion as well as worker-firm match quality.

TABLE 4. HOW CASE STUDY CITIES MARSHALED INVESTMENT ATTRACTIVENESS FOR MORE AND BETTER JOBS

CITY CASE	KEY ACTIONS TO PROMOTE MARKET CONNECTIVITY
Medellín, Colombia	Land (or office) mobilization through the cluster Business marketing (ACI Medellín) STI cluster, including innovation and talent Livability, greening, and heat remediation investments
Bilbao, Spain	Land mobilization through economic zones and urban center/waterfront redevelopment
Kobe, Japan	Land mobilization, for example, Port Island for biomedical activities Kobe Biomedical Innovative Cluster Tax break for early movers Business marketing
Cape Town, South Africa	Branding with international sport events City improvement districts, including to facilitate public space permitting for the movie industry Cape Film Commission, to support the movie industry
Gaziantep, Türkiye	National subsidies for municipalities to acquire and service land; supply of serviced land to manufacturers in OIZ as well as fiscal incentives (for example, real estate tax exempt) Technopark with research institutions, universities, and industrial companies, to incentivize innovation Vocational Training Center established within the second OIZ

NOTE: Summarized from Heneine (2026).

PHOTO: oneinchpunch on Adobe Stock

2.4

Public-Private Coalitions

Coalitions: *Why It Matters*

To effectively boost private sector job creation, the three pillars above—Density, Connectivity, and Attractiveness—require *public* investment and planning that is aligned with market realities and private sector demand and supported by private finance. The private sector accounts for 9 out of ten jobs in developing economies (Development Committee 2025), so urban planning that accounts for market demand and mobilizes private investment is critical to achieve job creation goals. Cities need institutions that enable the systematic use of market intelligence and mobilize private participation in the stewardship of productive density, market connectivity, and investment attraction. 'Public-Private Coalitions' are a governance foundation for other pillars to effectively drive job creation and growth.

Coalitions: *The Challenge in MENA*

MENA currently relies considerably on the public sector for job creation—with a need for greater private sector dynamism to drive strong jobs performance. Public sector employment represents approximately 26 percent of total employment on average across MENA states—

11 percentage points higher than the average for non-MENA states.[22] Strengthening the role of the private sector has been identified as a priority for more robust growth and job creation in the region (for example, Gatti et al. 2025; Islam et al. 2022).

City governance systems in MENA are often top-down, failing to reflect local economic dynamics. Urban planning instruments, when available, often lack sound economic underpinnings. The challenge is exacerbated by centralized city administration that reduces opportunities for local consultations and planning partnerships; a lack of spatially disaggregated economic and firm data; and administrative boundaries of cities that do not reflect the labor market, constraining territorial or metropolitan planning, which can lead to competing instead of collaborative policies between the different urban neighborhoods and cities.

With low levels of decentralization across the region, urban investment relies mostly on national budgets, which in many countries are very fiscally constrained. Yet, achieving greater productive densities, connecting to markets, and increasing investment attractiveness require large investments. It is critical for cities to also mobilize private financing, such as through public-private partnerships (PPPs) and land value capture, yet in low- and middle-income countries, municipal PPPs and private borrowing have been minimal and stagnant in all but the largest and most creditworthy cities in recent years (World Bank Group 2025).

Coalitions: *The Policy Toolkit*

PLANS REFLECT MARKET NEEDS

Harness spatial planning to deliver on economic goals. Urban policies have important implications for economic goals, and vice versa, but sometimes the two are planned in silos. Cities may benefit from dedicated institutions or mechanisms to coordinate economic and spatial planning across the three pillars. Kobe's post-earthquake recovery, for example, coordinated the development of a biomedical cluster with port modernization, waterfront redevelopment, and institutional capacity building for attracting foreign investment, reflecting a bundle of integrated investments that successfully marshaled both private investment and public investment to achieve economic recovery goals. ACI Medellín facilitated over US$3.5 billion in foreign investment across 347 projects (generating over 30,000 jobs) between 2008 and 2023, by aligning local city investments with national economic priorities and global opportunities (Heneine 2026).

Embed market intelligence to ensure investments reflect market realities and needs. Private sector consultations and partnerships are critical to align public investment with market needs. This is important for resource-constrained MENA cities, where a 'build-it-and-they-will-come'

22 Data from the worldwide bureaucracy indicators (to be updated for latest year): https://datacatalog.worldbank.org/int/search/dataset/0038132.

model has sometimes failed to deliver. Case study cities Kobe, Medellín, and Bilbao used close private sector consultation to align public investments with market realities. The cities engaged labor organizations, firms, and national economic agencies to formulate strategies and design, implement, and finance transformative projects that responded to evolving market demand, reducing over-, under-, or misaligned investment to optimize jobs outcomes (Heneine 2026). Similarly, MENA cities' planning should reflect intelligence from diverse economic data sources and stakeholders—large and small firms, domestic and foreign investors, labor organizations, academia, sector associations, and national economic agencies—to ensure delivery matches market needs for productivity growth and job creation.

- **Plan at the scale of the urban labor market—not only within administrative boundaries.** City labor markets often spill over official administrative boundaries. Planning at the scale of the labor market (metropolitan-scale planning) can support specialization, and reduce wasteful competition, between administrative localities (such as a race to the bottom in firm incentives or oversupply of assets such as industrial parks), to maximize the jobs impact of each investment. Metropolitan-scale planning is also essential to harness job-creating synergies between assets across the metro area such as housing development coordinated with employment centers, with integrated fares across the city; heritage sites coordinated with hotels; and ports coordinated with industrial and logistics assets. Case study city Bilbao, for example, created Bilbao Ría 2000, a coordinating entity jointly governed by national, regional, and local authorities, to align large-scale redevelopments, attract funding, and manage land transactions across administrative boundaries. Cape Town also benefited from identifying key growth drivers not just within but also around the city boundaries and investing to connect these to the urban fabric (Heneine 2026).

COALITIONS FIT TO DELIVER

- **Create/utilize dedicated professional institutions to deliver complex, high-potential job-creating activities.** National or local governments are not always suited to manage focused and specialized urban operations or clusters, which may be costly and require highly robust legal, financial, and business expertise. These sometimes call for dedicated professionalized entities that bring private sector capacities and financing, including through PPPs. All five case studies heavily relied on such institutions. Case study city Medellín, for example, used the *Empresas Públicas de Medellín* (EPM), an industrial and commercial state company owned by the municipality but with financial and legal autonomy, to bring private investment in public utilities and gave the *Empresa de Desarrollo Urbano* (EDU), a semiautonomous public corporation, broad powers to plan, purchase land, conduct technical consultations, harmonize interagency actions, and manage budgets (Heneine 2026).

- **Mobilize private finance to deliver transformation at scale.** The scale of investment requires harnessing both public and private resources. Well-structured PPPs, for example, can not only mobilize finance but also enhance the technical capacity to deliver large and complex projects—such as environmental remediation, transit infrastructure, or large-scale regeneration. Key lessons from the case studies include *harnessing public investment to de-risk and catalyze private commitment* (for example, Kobe used early mover tax incentives and anchor public investments in

port and biomedical facilities to crowd in private firms and direct private investment in flagship public spaces); *transitioning operational management to the private sector as assets mature* (for example, Gaziantep's OIZs evolved from hybrid public-private to fully private management, improving efficiency and responsiveness to market needs); and *leveraging land value capture* to recycle the private value created by public investment back into urban transformation (for example, Bilbao used rising land values from its waterfront regeneration to finance further phases of development) (Heneine 2026). MENA cities can draw on these models—while learning from the region's experience promoting new cities (Box 16) that public investment is most catalytic when it builds on genuine market intelligence and demand. Building the institutional capacity, mandate, and financial soundness to engage the private sector systematically is therefore a prerequisite for mobilizing finance at the scale that urban transformation requires (World Bank Group 2025).

TABLE 5. HOW CASE STUDY CITIES MARSHALED PUBLIC-PRIVATE COALITIONS FOR MORE AND BETTER JOBS

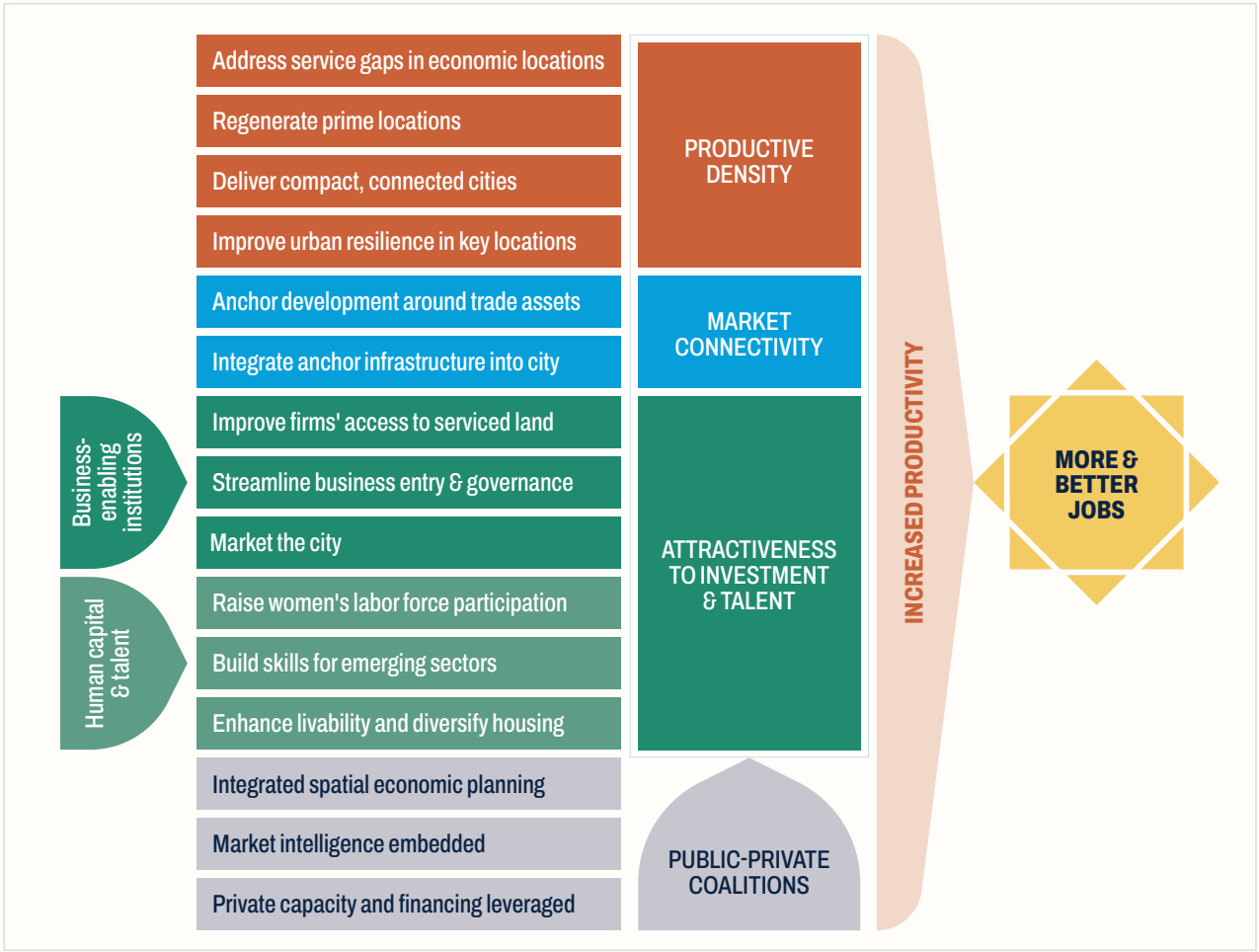
CITY CASE	KEY ACTIONS FOR EFFECTIVE PUBLIC-PRIVATE COALITIONS
Medellín, Colombia	• Public-private entities (for example, EPM) • Business market institutions led by private sector • Ruta N, public institution, established to manage the private STI cluster, including mobilizing capital and developing human capital • EDU, semi-autonomous public corporation
Bilbao, Spain	• Land value capture leveraged for the urban center/waterfront redevelopment, in addition to national government funding mobilization • Bilbao Ría 2000, coordinating entity jointly governed by national, regional, and local authorities
Kobe, Japan	• Public-private institutional platforms for business marketing and cluster development and management, including for academia and research • Direct private investments into urban flagship facilities and public space, such as concert hall • Reconstruction funding purposedly investing into 'Build Back Better', more connected and productive, neighborhoods
Cape Town, South Africa	• Collaboration with South African National Parks (SANParks) to develop Table Mountain • World Cup funding adding to national funding for investment in transport
Gaziantep, Türkiye	• Supported by Ministry of Industry and Technology at the request of local public and private actors • Change of OIZ management from a hybrid public-private model to fully private model once OIZ matured • Chamber of Industry, initiating the policy

NOTE: Summarized from Heneine (2026).

2.5 Putting the Framework at Work: Creating a Successful Policy Package for More and Better Jobs

The elements of the framework are mutually reinforcing, while a successful strategy builds on an incremental long-term vision. Case study analysis (Box 7) suggests that effective policies usually come as a package of interventions (Figure 20), sequenced strategically over time, and that it is the combination of measures that makes the policies successful. In addition, while all four elements matter for every city, the relative emphasis and specific interventions must be tailored to local contexts. Part III discusses how the framework's application varies by city type.

FIGURE 20: SUMMARY URBAN POLICY MATRIX FOR MORE AND BETTER JOBS



While city transformation is long—and possibly costly—policy priorities must be informed by local consultations, with both public and private actors, to tackle the most pressing constraints. Local prioritization is important considering the broad range of potential policy measures (Figure 20) and each city's unique spatial, economic, and institutional characteristics. Fiscal constraints, for both local and national public institutions, are also a key determinant of feasible interventions. While some interventions may be executed quickly at relatively low cost, such as marketing, public space improvement, or small-scale greenfield development, others which require institutional and regulatory reforms or complex land acquisition—such as urban regeneration or infill mass transit—may be much more capital- and time-intensive to implement. There is no silver bullet or one-size-fit-all implementation approach. At the end of the day, the selection and sequencing of policy measures is best informed by public and private local actors who have expert knowledge of the local context: local advantages and opportunities, as well as key constraints to growing the local economy, productivity, business ecosystem, and job market.

PHOTO: Polina Kuzovkova on Unsplash

PART

3

DIFFERENT PLACES, DIFFERENT PRIORITIES

PHOTO: Annie Spratt on Unsplash

Creating more and better jobs requires city-specific strategies: MENA's diverse cities play different economic roles, and the framework's application must be tailored accordingly. Some actions are foundations for job creation in any city, but considering an overall package of urban policies, there is no one that size fits all for MENA's diverse cities. It is necessary to tailor approaches and priorities within the framework to each city's conditions.

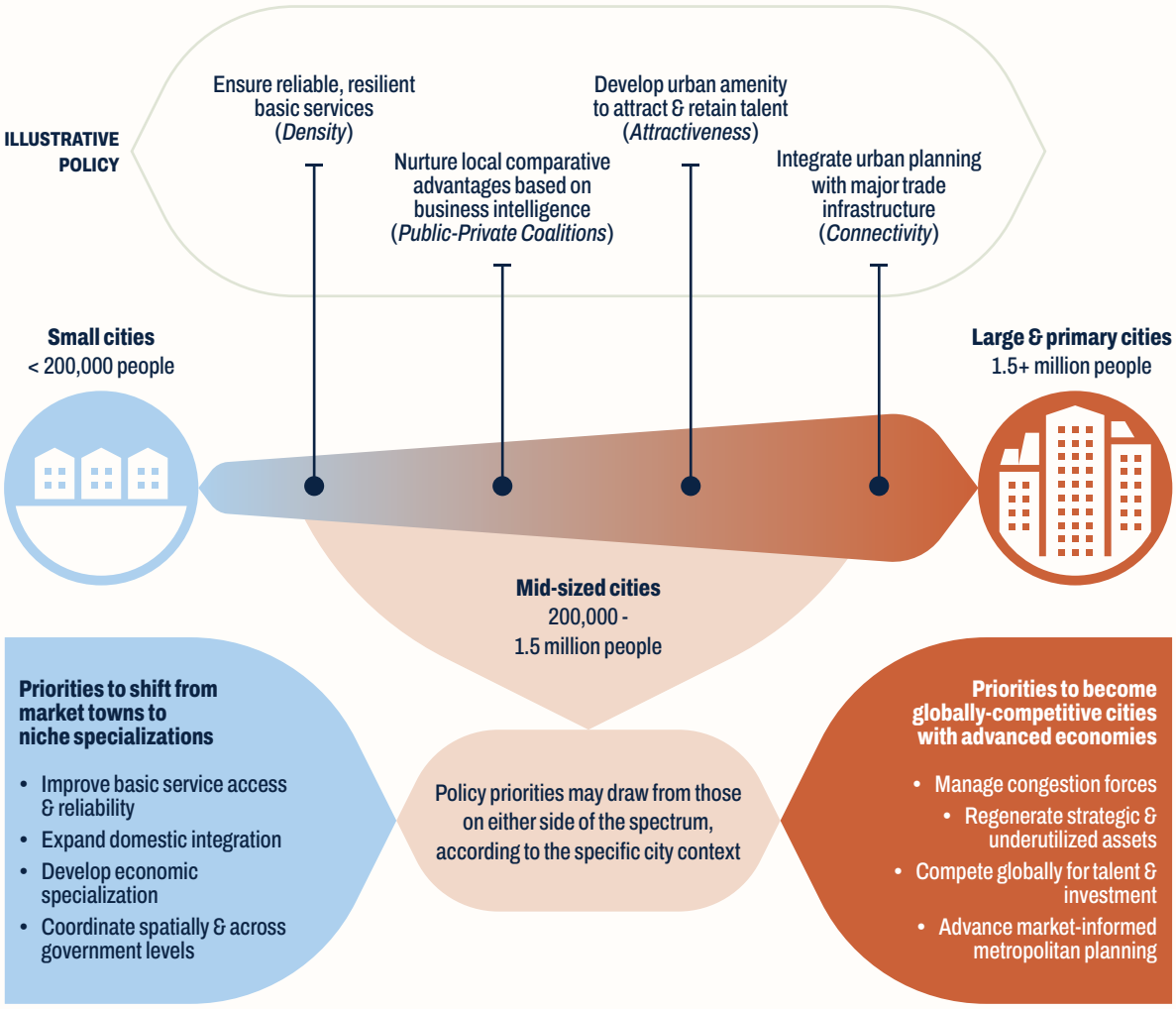
While cities could be organized into several typologies (inland/coastal locations, fragility, income levels, sub-region, the composition of production, or size, for example), we focus here on the distinction between MENA's largest, often primate cities and the region's systems of smaller secondary cities, which present stark differences in average productivity performance, often play different roles in the countries' economic development, and consequently each offer distinct policy recommendations:

1. **Large and primary cities** concentrate most urban jobs, production, and public and private investments. Their more robust agglomeration economies give them an advantage in attracting workers, talent, and investment, and allow them to compete globally and host a greater diversity and breadth of tradable sectors. Large cities need to harness these advantages to serve as strong engines of national growth and job creation.

2. **Small (and medium) cities** play complementary economic roles in the system of cities. They are typically less advantaged in the attraction of investment and talent overall but may have specific local advantages and niches and play critical roles supporting the economic outcomes and service delivery in the surrounding territory, requiring tailored approaches suited to roles and opportunities.

Though treated as distinct categories, large and small cities in fact represent two ends of a spectrum (Figure 21). At the low end are MENA's smallest cities of around 50,000 up to 200,000 people. At the high end are cities that are both large in absolute terms (over 1.5 million) and largest (*primary*) in their national hierarchy of cities. Many cities fall between these extremes: Cities over 1.5 million that are nevertheless secondary within their own national urban hierarchy and medium-size cities that are nevertheless dominant in their urban hierarchy or enjoy more dynamic and diversified economies, advantaged trade locations, and so on. Policy makers should consider the distinct economic profiles of their cities (including additional factors such as FCV and regional contexts, see Box 14 and Box 15), and their roles in the national urban system, to identify appropriate priorities from the spectrum of smaller to larger cities accordingly.

FIGURE 21: FRAMEWORK FOR URBAN POLICIES ACROSS A SPECTRUM OF CITY SIZES



BOX 14. FCV CITIES: A THIRD TYPOLOGY?

POST-CONFLICT RECOVERY AND RESILIENCE ARE PRIORITIES IN THE MENA CONTEXT. Cities in countries affected by conflict and violence tend to be much further from the global productivity frontier, reflecting the criticality of stability to investment attractiveness (see Section 1.2.). While some cities are direct sites of conflict, many more are affected by spillovers such as flows of refugees and internally displaced persons (IDPs),supply chain disruptions, weakened institutions, and heightened risk perceptions. Recent conflict has affected countries and cities that had been exposed for decades, such as in the GCC, emphasizing that all countries can benefit from planning the unexpected.

THE OPPORTUNITY OF RECONSTRUCTION SHOULD NOT BE UNDERESTIMATED. Despite the immense challenges, with the right governance and financing, post-conflict cities can bounce back stronger—and in doing so, create significant short-term employment through reconstruction, while also laying the foundation for more and better jobs in the long-term. Box 5 shows how Ramadi, devastated by conflict, has achieved top-quartile productivity performance through strategic post-conflict governance and investment.

THIS REPORT'S URBAN JOB FRAMEWORK CAN GUIDE ASPECTS OF RECOVERY. For cities still experiencing active violence, the priority is security and humanitarian response. But cities emerging from conflict—or investing now in resilience against future shocks—can learn from the urban jobs framework of this report, pursuing economic and job growth and diversification, while being conscious of their immediate constraints and needs.

- **Harness reconstruction to enhance Productive Density.** The immediate priority post conflict is rapid restoration of basic services, foundational infrastructure (electricity, water, and transport), and housing, without which private sector recovery cannot take hold. But, though challenging, post-conflict reconstruction also offers a rare opportunity to build back better than before. Areas more heavily bombed in London's Blitz have taller buildings, more jobs, and higher productivity today, owing to the opportunity created by rebuilding (Dericks and Koster 2021). International support is also often available for reconstruction. After its destructive earthquake, Kobe used the funding made available to build back better, with more inclusive and productive infrastructure, including train stations, public facilities, housing, and economic structures in key neighborhoods. Kobe prioritized the reconstruction of major economic hubs and mobility nodes to kickstart job recovery, while new projects took longer to materialize (Heneine 2026). The ability to withstand future shocks—such as through planned infrastructure redundancy—should be embedded in reconstruction efforts.
- **Restore Market Connectivity.** Conflict often disrupts the flow of goods and services into and out of cities (Amodio and Di Maio 2018; Amadio et al. 2018; Ayele and Edjigu 2025; WTO 2021). Restoring external market connectivity is widely identified as an important component of post-conflict economic recovery (for example, Kunaka and Carruthers 2014; WTO 2021), supporting firms to more quickly resume production and rebuild employment, and cities situated on major trade corridors or hosting key trade infrastructure may be strategic priorities for both local and national reconstruction.
- **Attractiveness to Investment and Talent through trust-building.** Investor and resident confidence is foundational to post-conflict urban recovery. Medellín's transformation from one of the world's most dangerous cities to a celebrated innovation hub was built on sustained security improvements, highly visible public investment in transport and public space, and concerted marketing and dialogue to reposition the city's image (Heneine 2026). While the nature of Medellín's conflict 30 years ago diverges from the MENA region, the policy angle remains highly relevant to post-conflict countries where public institutions have been considerably weakened by instability and regime changes. Transparency and predictability—including at the local level—become even more important to restore confidence for private investment. Risk mitigation instruments—political risk insurance, guarantees, and phased commitments—may also be important in post-conflict settings.
- **Public-Private Coalitions for business recovery.** Kobe's post-earthquake response included not just infrastructure reconstruction but also active support for businesses to reopen and reestablish supply chains, including early mover tax incentives for firms committing to the reconstructed port and biomedical cluster. Strategic public support for private sector rebuilding accelerated the economic rebound (Heneine 2026). During recovery, engaging the private sector can be even more critical considering the need for prioritization of public interventions toward activities that boost production and jobs.

PHOTO: Getty Images on Unsplash

BOX 15. THE GCC: A HIGH PERFORMER WITH ROOM FOR PRODUCTIVITY AND JOB GAINS

The GCC stands out in this report's benchmarking analysis as the strongest subregion within MENA, with a median gap of just 5.1 percent to the global frontier. Six GCC cities are already at or above the frontier, including Doha (inland), Abu Dhabi (coastal), and four mid-size Saudi Arabian cities with populations below 500,000 people (two coastal and two inland). Only three cities fall in the bottom half of MENA city performers (that is, over 18 percent to the global frontier). Yet, cities not yet at the frontier have an opportunity to raise productivity and job creation, including large and capital cities where jobs are concentrated, as well as smaller inland cities that have a role in national markets and regional integration. The GCC's cities are well positioned to support the subregion's overall strategic priorities of economic diversification beyond oil and an investment-attractive economy (AlSaeed, 2025). For that, they have significant advantages to further strengthen employment outcomes including large public financing from oil revenues, experienced trade and logistics infrastructure, strong international market connectivity, modern infrastructure, high quality of life, highly skilled talent pools, high levels of urbanization, and robust political institutions (AlSaeed 2025). Ongoing initiatives to attract global talent, enhance the investment landscape, and diversify the economy are already reaping benefits (AlSaeed,2025). In 2024, Gulf nations' non-oil sector grew by a robust 3.7 percent, owing to growing interest in the subregion's business and tourism (AlSaeed 2025).

3.1 Large and Primary Cities: Competing at the Frontier

Context and Strategic Role

Large cities are essential to their countries' economic performance and are positioned to lead economic diversification agendas. MENA countries have relatively high urban primacy, and the largest city within each MENA country tends to be substantially closer to the global productivity frontier than smaller national peers (Part I). When functioning well, the dominant city serves as a gateway to regional and global trade, a principal hub of talent and investment, and a source of markets and demand for other locations in the national system of cities.

However, large is not necessarily productive. MENA's largest cities at the regional level (those above 1.5 million populations) are on average no closer to the frontier than the region's medium cities. Less than 3 percent of MENA's large cities are performing at or above the global productivity frontier, while almost two-thirds are more than 14 percent from the global frontier. While MENA's large cities have transformed tremendously over the past decades, under substantial population growth and public and private investment, the opportunity now is for these critical engines of growth to advance toward the global productivity frontier, boosting job creation and growth locally while better supporting the national economy and system of cities.

Strategic Priorities for Large Cities

Large cities should emphasize managing internal congestion forces, strategically regenerating underutilized assets, competing globally for talent and investment, and carrying out market-informed metropolitan planning.

PRODUCTIVE DENSITY

Large cities already have substantial population concentrations. The priority is ensuring infrastructure and services keep pace with density, including as populations grow, to prevent congestion from undermining productivity (see Part II on Productive Density). While spatial urban growth requires substantial infrastructure investment on the urban periphery, it is key to continue addressing infrastructure gaps—from additional density or infrastructure degradation—in central locations based on market needs.

WHAT TO PRIORITIZE:

- **From density to Productive Density.** Address service backlogs and plan for growing future demand, to ensure density is productive rather than congested. Nurture labor force integration at the periphery, including new cities that are developing in the region (Box 15) and satellite cities that can benefit from the agglomeration benefits of large agglomerations.
- **Strategic regeneration of prime neighborhoods.** Although the region has often prioritized greenfield 'new cities' on the urban periphery to accommodate firms and population growth, large cities often have underutilized prime urban land in more central areas—waterfronts, heritage districts, brownfield sites, and so on—that represent significant latent value. Urban regeneration of these neighborhoods can reduce sprawl, build cities' productive density, unlock significant land value, and create new economic centers within the framework of a compact, connected, urban fabric. Regeneration should create mixed-use environments that attract both firms and skilled workers. (For examples and approach, see Part II, Section 2.1.)

BOX 16. NEW CITIES ON THE URBAN PERIPHERY IN MENA

Dating back decades, several MENA countries have developed new cities on the peripheries of major urban areas, seeking to redistribute dense populations and decongest overburdened economic cores. Egypt has built new cities on the desert periphery of Cairo since the 1970s, with two explicit aims: relieving pressure on an exceptionally congested urban core—Cairo ranks in the top decile of the world's most congested cities, has an average density of around 12,000 inhabitants per km², and has been among the world's densest cities since the 11th century—and protecting agricultural land in the region's north and south from urban encroachment (Lall et al. 2023). The strategy has yielded mixed results, with important lessons for job creation and metropolitan productivity, which can provide one explanation for the limited population of the 23 new cities built between 1979 and 2000, estimated at 800,000 people only by 2012 against a target of 20 million.

Occupancy and job outcomes in new cities reflect the inherent complexity of building vibrant urban economies from the ground up — a challenge shared by new city initiatives globally — and underscore the importance of pairing physical infrastructure investments with connectivity and economic activation strategies . This report's benchmarking analysis shows that recently established new cities such as New Asyut and New Sohag (developed in the 2000s) have yet to reach the global productivity frontier. Job densities in new cities in the Greater Cairo Region — currently at 835 jobs/km², compared to 4,754 jobs/km² in established urban areas — reflect the early stage of economic development typical of newly built cities, where agglomeration effects and labor market depth have not yet matured (World Bank 2022b).

A central structural challenge facing new cities may be their disconnection from the urban fabric and subsequent fragmentation of the wider urban labor market. Long distances and limited public transport between new cities and the employment-dense central and inner areas of Cairo have constrained the integration of the metropolitan labor market, while raising servicing costs. Evidence from the GCR and internationally suggests that high commuting costs—in time, money, plus safety concerns—can deter workers from taking jobs across the city, particularly among women and lower-income residents (World Bank 2024d). Egypt is now actively addressing new cities' connectivity gap, with major transit investments to better connect new cities of the GCR with Cairo's dense, historic core, which modeling suggests could substantially improve jobs outcomes (Box 8).

The picture is more nuanced than it may initially appear.. Modeling of baseline conditions in the GCR finds that new cities, despite their modest share of total employment, exhibit higher labor productivity and wages than the GCR average (Lall et al. 2023). This report's benchmarking analysis also shows that the new city '6th of October', established in the 1970s, ranks among Egypt's higher-performing cities in terms of productivity relative to its population size. Based on nighttime light, additional analysis could help distinguish market-based productivity from the effects of substantive large public investment. Indeed, new city development received a significant share of public urban investment: 20–30 percent of its national built environment budget in 2015–16, at a time when new cities housed just 2 percent of the urban population (Lall et al. 2023).

MARKET CONNECTIVITY

MENA's largest cities, with their substantial markets and production capacity (and often relatively small domestic markets to service), need large external markets to feed continued population and productivity growth. They also often house major national trade assets such as ports and airports. These cities should leverage—and enhance—their assets to support increasing diversification into value added tradables.

WHAT TO PRIORITIZE:

- **Integrate urban planning closely with major trade infrastructure.** Ensure ports, airports, and logistics hubs are efficiently connected to workers and to productive urban locations and supported by competitive urban services that enable local firms to compete internationally. (See Part II, Section 2.2. on harnessing trade infrastructure.)
- **Strengthen connections to the hinterland.** Beyond serving as gateways to global markets, large cities should strengthen connections to their surrounding regions—both as sources of inputs and as markets for their production and services. Domestic integration can support not only the large/primary city's development as an economic hub but also wider territorial development across the country.
- **Plan and invest proactively around trade assets to manage congestion.** Proactively plan for demand around major ports, airports, and logistics hubs. Provide complementary infrastructure (transport connections, utilities, serviced land, and business services) and enable housing construction for expected worker influxes.

ATTRACTIVENESS TO INVESTMENT AND TALENT

Large cities tend to be the first to attract mobile, high-productivity firms and talent (who seek strong agglomeration economies), but realizing this potential requires deliberate effort.

WHAT TO PRIORITIZE:

- **Address livability to attract talent and grow tourism jobs.** Firms increasingly follow talent, and talent is drawn to high quality of life. Attractive cities are also more attractive tourist destinations. Address urban environmental challenges (MENA's cities face high air pollution and rising heat exposure), improve urban amenities, and ensure safety. (See Part II, Section 2.3. on livability and human capital.)
- **Diversify housing products to meet worker needs.** Housing diversification is particularly critical in large agglomerations, and congestion plus large distances across the metropolitan area can easily fragment labor markets. While home ownership has benefits, expanding affordable rental housing in accessible locations—including smaller units for singles and youth—supports labor market flexibility and attraction of talent. (See Part II, Section 2.3. on housing and labor mobility.)
- **Use proactive investment attraction and encourage cluster development, to level up the productivity of urban firms for more and better jobs.** Attracting the most productive firms—especially for high-skill industries—requires institutional capabilities to identify high-potential sectors aligned with local advantages, develop and proactively market opportunities, and track and resolve

investor needs. Clustering complementary firms, infrastructure, talent, and institutions spatially has often accelerated sector development. Case study cities deployed a mix of incentives—such as tax breaks, serviced land, economic clusters, skills training programs, and marketing—to attract early movers in new, more advanced, industries.

PUBLIC-PRIVATE COALITIONS

Large cities are typically more able to engage the private sector systematically in urban planning and financing, but again, this latent potential needs to be unlocked through dedicated actions.

WHAT TO PRIORITIZE:

- **Institutionalize continuous consultation and collaboration with the private sector.** Large case study cities engaged the private sector systematically in urban planning and financing, successfully attracting transformative private investment through market-attuned investments and plans, to create more and better jobs (Box 17).
- **Elevate planning to metropolitan scale.** Administrative boundaries often do not align with the functional economic geography of large cities. Administrative regulations and institutions may require reform to allow metro-scale planning and delivery that integrates labor markets and harnesses complementarities across the metro area's productive assets. (See Part II, Section 2.4.)
- **Mobilize private finance.** Larger, more sophisticated cities are typically more able to engage the private sector in financing development, such as through land value capture (for example, tax increment financing and special assessment districts) and PPPs for complex projects (World Bank 2025). Well-structured PPPs can also enhance the technical capacity to deliver the large and complex projects larger cities need.

BOX 17. PUBLIC-PRIVATE COALITIONS IN CASE STUDY CITIES

MEDELLÍN: Created the Urban Development Company (Empresa de Desarrollo Urbano - EDU) as a central actor in transformation. Medellín also established ACI Medellín, a dedicated agency for attracting and retaining FDI with services including information provision, legal and tax guidance, and coordination with universities and associations. Ruta N, a public-private innovation district, combined office space, business acceleration programs, and grants to support startups and foster collaboration between firms, universities, and government.

BILBAO: Established Bilbao Ría 2000, a publicly owned corporation jointly governed by national, regional, subregional, and local authorities, explicitly to coordinate large-scale redevelopment, attract public and private funding, and manage land transactions across administrations. This multi-level governance structure proved critical to executing complex, long-term transformation.

KOBE: Established the Kobe City Sales Promotion Council (1995) to attract foreign firms, later strengthened through the Hyogo Investment Support Center under the Hanshin-Awaji Economic Revitalization Organization (HERO). Together with Hyogo Prefecture, JETRO Kobe, and the Chamber of Commerce, these institutions attracted approximately 240 foreign-affiliated firms. This demonstrates how dedicated, coordinated institutional capacity can drive foreign investment attraction.

Note: Summarized from Heneine (2026)

3.2 Small Cities Need Dedicated and Realistic Growth and Job Strategies

Context and Strategic Role

Small (and medium) cities present an important opportunity for regional development and job creation in MENA, yet their potential is underdeveloped. In many MENA countries, substantial shares of the population live in small and medium urban centers, making it critical to elevate their performance. However, the performance of small cities tends to be weaker compared to global peers of similar size, as evidenced in the benchmarking analysis of Part 1, where MENA's smallest cities (with populations below 200,000) are significantly further from the global productivity frontier than their medium and large peers. While medium cities are performing better, they still have substantial room to catch up with top-performing global peers. This points to significant room for improvement in MENA's many small and medium cities, with appropriately tailored interventions.

The defining challenge for small and medium cities is their low economies of scale and agglomeration. Small and medium cities can be stuck in a vicious cycle in which lower agglomerations lead to lower investment attraction, and in turn lower agglomeration. Small cities are also often (though not always) further from major international trade infrastructure, which is often concentrated in a country's largest cities to harness and service their larger markets.

Small and medium cities thus face different priorities than those appropriate for large cities. Compared to a country's largest metros, smaller cities should typically put less focus on economic breadth and complexity, more focus on niche specializations; less emphasis on competing globally, more emphasis on integrating regionally; less focus on attracting multinationals, more focus on supporting local businesses; and less reliance on independent planning, financing, and delivery, more emphasis on collaboration and coordination with national and local regional partners.

The right economic ambition for a particular small or medium city depends on its specific assets, location, and market connections. Small and medium cities can play a vital economic role—as local service centers, agricultural market towns, and, where conditions support it, producers of tradable goods and services—but the right ambition for any given city depends on its specific assets, location, and market connections. While some cities are best positioned to strengthen their role as regional service hubs, others with good market connectivity, relevant skills, and enabling institutions can support light manufacturing, agro-processing, or export-oriented services. Success in either case requires realistic, market-informed assessments of local

comparative advantage rather than assumptions that infrastructure investment alone will drive growth. In many MENA countries, substantial shares of the population live in smaller urban centers, making it all the more important to elevate their role in national development strategies. When smaller cities find an appropriate niche within the broader urban system, they contribute to inclusive growth and territorial balance, reduce migration pressures on primate cities, and create economic opportunities for populations who might otherwise have limited options.

Strategic Priorities for Small Cities

Small cities should emphasize basic service access and reliability, (domestic) regional integration, niche specialization, and horizontal/vertical coordination.

PRODUCTIVE DENSITY

The density dimension is less central to small (and medium) cities than to their larger counterparts. Population concentrations are typically lower, and congestion forces are less acute. Developing market access through strategic connectivity (see below) may be a higher priority. Nonetheless, investing in basic services remains a prerequisite for any business operation and economic growth, including the emergence of latent local specializations and niches.

WHAT TO PRIORITIZE:

- **Service reliability and quality.** Emphasize consistent electricity supply, adequate water, functional internet connectivity, and well-maintained roads. This is a priority across the city, but especially in economic centers. These fundamentals create an enabling environment for local businesses. Well-maintained roads connecting to regional networks are more valuable than elaborate metro systems. (See Part II, Section 2.1. for the full infrastructure toolkit—prioritize the basics.)
- **Right-size infrastructure.** Infrastructure investments should be appropriately scaled to the population and economic activity of the city, avoiding both under-provision that constrains growth and overinvestment in facilities that exceed realistic demand and become a fiscal burden.
- **Specialized infrastructure for niche sectors.** Certain industries may have specific infrastructure needs (such as cold storage for agricultural processing or specialized utilities for tourism facilities) that warrant targeted investment when aligned with local economic advantages. In Albania, investments in public space improvements (roads, sidewalks, public lighting, and public places) in historic neighborhoods efficiently spurred private investments in touristic facilities in secondary cities. The multiplication of those investments in various secondary cities, led by the national government, contributed to a large increase in international arrivals in the country and a 266 percent increase in visits at some touristic sites.

MARKET CONNECTIVITY

Market connectivity is a critical (prerequisite) lever for small (and medium) cities to overcome their inherent scale disadvantages. Only by integrating with larger urban systems and external markets can smaller cities access opportunities that would be unattainable in isolation.

WHAT TO PRIORITIZE:

- **When relevant, integrate with nearby metropolitan areas and trade assets.** Rather than competing independently, position within regional economic networks. A small city within an hour's drive of a major port, airport, or metropolitan labor market can function as part of that larger economic system—providing more affordable land, housing for metropolitan workforce, or specialized production facilities. Strategic integration requires both physical connectivity (such as reliable road or rail links) and functional coordination (compatible land use planning and coordinated investment promotion).
- **Leverage the value of surrounding territory.** Small cities often serve as market towns and service centers for surrounding rural areas. Similar to metropolitan integration, integration with the rural hinterland requires both physical connectivity and functional coordination. Identify how the city can add value to products and assets of its hinterland: value added agricultural processing, logistics hubs serving agricultural exports, agro-tourism and gateways to eco-tourism destinations, and so on. (See Part II, Section 2.2. on anchor infrastructure—for small cities, the hinterland itself may be the anchor.)
- **Coordinate with national infrastructure planning.** Cities should be empowered to actively engage in and influence national and regional planning, to ensure their needs are considered. This may include, for instance, advocating for highway interchanges, railway stations, or airport connections that serve the city's economic development priorities. Cities must also be able to anticipate national investments, to make complementary local investments (such as access roads to interchanges, last-mile connections, and local transport linking residential areas to regional transport nodes). This may prove highly relevant for small and medium cities located along national or regional transport corridors, such as rail or highways, ensuring functional coordination to maximize productivity benefits for those cities.
- **Invest proactively in quality digital connectivity.** Many businesses require good access to digital infrastructure, for everyday processes, and to connect geographically dispersed value chains and connect with their markets. Digital infrastructure can partially compensate for geographic isolation and small scale locally and enable greater participation in services trade. Quality digital connectivity can allow smaller cities to improve productivity of their existing services, such as banking, as well as participate in growing sectors (call centers, back-office operations, and software development) and markets, partially overcoming distance and scale disadvantages. (See Part II, Section 2.2. on digital connectivity.)

ATTRACTIVENESS TO INVESTMENT AND TALENT

Due to limited agglomeration benefits, smaller cities face inherent challenges in attracting large firms, FDI, and specialized talent, compared to their large peers. However, they can build attractiveness around specific niches with local advantages.

WHAT TO PRIORITIZE:

Precise priorities will depend on the local advantages and niches identified in local economic and job development strategies.

- **Firms and businesses that require high-skill staff**, including for management and specialized roles, **will benefit from urban amenities** (in addition to basic infrastructure presented in the Density section above) to attract and retain such talent. This includes quality primary and secondary education to allow mid-career talent to move with families. Flexible housing markets will also be important, or businesses may need to compensate for their absence.
- **Leverage tourism potential, where relevant.** Tourism can play an important role, both as destinations and as gateways to regional attractions. MENA possesses extraordinary cultural heritage and natural assets, much located in or accessible through smaller cities (globally, cities capture 60–70 percent of tourism revenues, with urban centers and cultural heritage playing central roles). However, realizing tourism potential requires adequate urban environment throughout the visitor experience: quality accommodation options, safe and clean public spaces, reliable transport connections, good digital connectivity, and basic urban amenities. Tourism development works best when integrated into broader urban planning rather than treated as isolated projects, and tourism investments can in this case catalyze wider urban improvements that benefit residents as well as visitors. Importantly, tourism requires smart marketing of cultural assets, usually best when conducted at a relevant territorial level to present a diverse offering. Such marketing—at the national or local level—will participate in creating a conducive environment for private investors.

PUBLIC-PRIVATE COALITIONS

- **Identify and support local comparative advantages, informed by market intelligence**. Rather than competing directly with primate cities for the same industries, specialize based on local assets. Depending on local conditions, this may include domestic logistics hubs (for cities well positioned along national transport corridors), tourism (given local or proximity to regional attractions), agricultural value added processing (for cities in productive agricultural regions), specific light manufacturing aligned with local skills/resources, or services sectors that can operate remotely with good digital connectivity. The key is realistic, market-informed opportunity assessment. (See Part II, Section 2.3.)

- **Strategic private sector engagement.** Integration with the private sector remains essential to matching city planning with economic opportunities and private sector needs. Conduct reality checks on opportunities during the planning stage—engaging relevant business associations, major local employers, and potential investors in priority sectors. This will be especially effective for supporting the development of existing businesses and sectors, which is a major, sometimes overlooked, channel for job creation. For cities pursuing new sectors with specific specializations (tourism, agricultural processing, and so on), engagement with industry representatives at the national or regional level may help the city management stay informed about evolving needs.
- **Collaborate horizontally and vertically for scale.** Individual small cities typically lack resources and capacity for sophisticated market analysis and public-private coalitions. Horizontal collaboration (with neighboring cities or others in similar situations) can help achieve scale economies in this regard. Cities should participate in regional planning and governance processes, ensuring that local development plans align with and leverage regional investments, coalitions, and opportunities and that plans across the region harness mutual synergies. Vertical collaboration with national governments can also bring access to larger resource pools, technical expertise, and investor networks.

TABLE 6. SUMMARY OF STRATEGIC PRIORITIES FOR LARGE VERSUS SMALL CITIES

	LARGE / PRIMARY CITIES	SMALL CITIES
ECONOMIC AMBITION	Economic diversification, with greater focus on innovation and international tradables to drive growth	Consolidation of the business environment (basic services), integration with wider markets, and support to local comparative advantages
DENSITY	• Servicing for productive density. • Strategic regeneration of underutilized prime locations. • Anticipatory infrastructure around trade assets. • Metropolitan scale integration.	• Basic service reliability, quality, and access. • Right-sized infrastructure. • Fit-for-purpose infrastructure for niche sectors.
CONNECTIVITY	• Prioritize export opportunities. • Integrate city with trade infrastructure. • Strengthen connections to hinterland.	• Integrate with nearby metro areas and trade assets. • Leverage surrounding territory. • Coordinate with national and provincial plans. • Ensure digital connectivity.
ATTRACTIVENESS	• Address livability. • Diversify housing product for workers. • Support cluster development and proactive investment attraction.	• Leverage tourism, where relevant.
COALITIONS	• Institutionalize private consultation. • Enhance metropolitan planning. • Mobilize private finance.	• Use market intelligence to identify and support local comparative advantages. • Provide focused private sector consultation. • Collaborate vertically and horizontally, for scale.

PART

4

CONCLUSION: A CALL TO INFORMED ACTION

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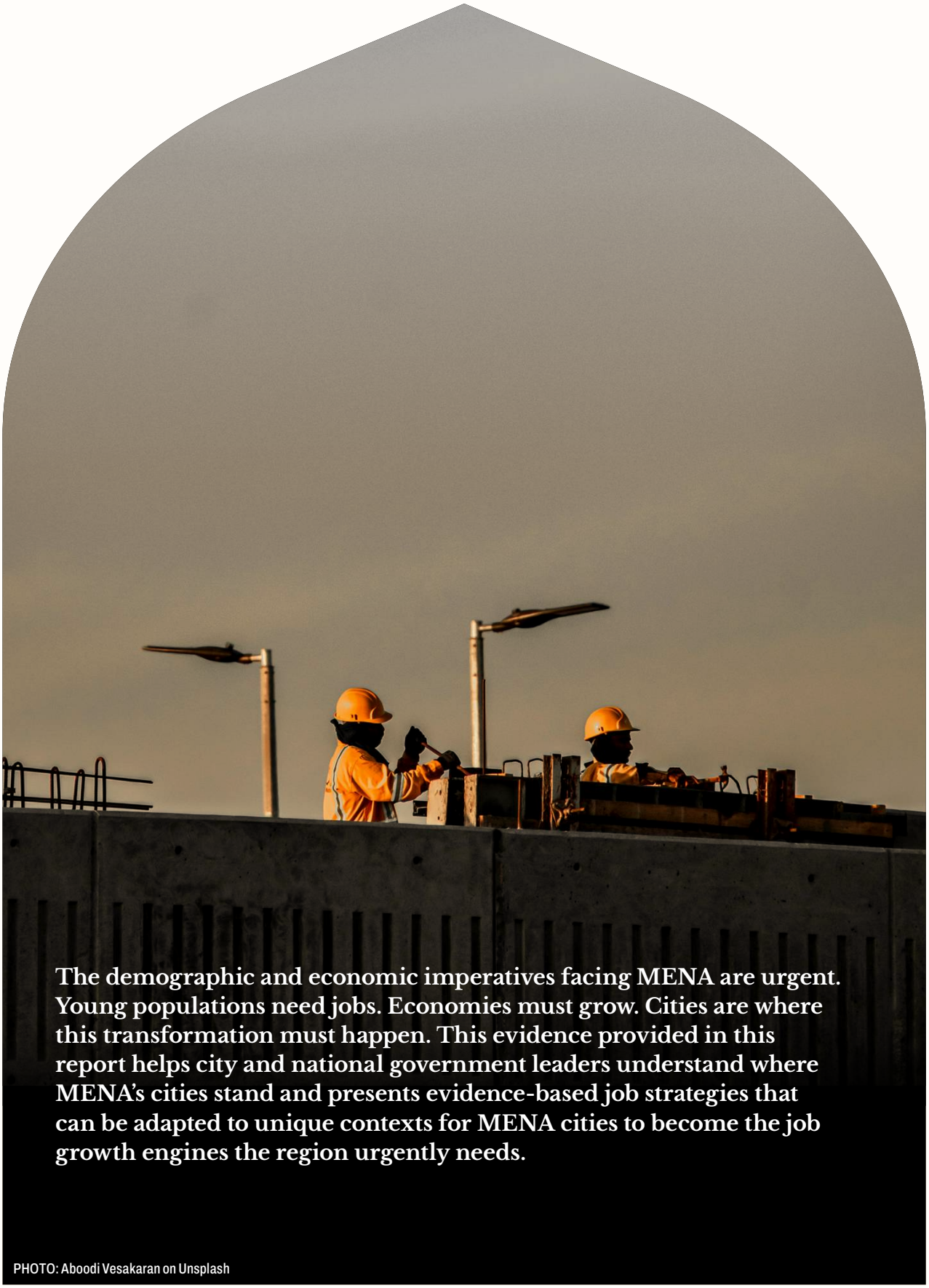
In the race for more and better jobs, MENA cannot afford to overlook its cities which host most of the region's population and, with it, the greatest potential for job dividends. MENA's cities have the foundations to become powerful engines of more and better jobs. The region's high level of urbanization; large and young labor force; significant untapped female talent; and a strategic geographic position between Europe, Asia, and Africa are key underexploited advantages for the urban job agenda.

While national policies on trade, education, and macroeconomic stability matter, this report found that 25 percent of MENA cities' economic performance variation was attributable to local factors—representing enormous potential for MENA's cities. Cities that can address local binding job constraints and get the fundamentals right—reliable services, strategic infrastructure, livable environments, and private sector engagement—can accelerate job creation, even in challenging national contexts. In more concrete terms, the report's basic economic simulation suggests that partially fixing cities' density, connectivity, and attractiveness could boost their average employment by nearly 10 percent and productivity by 6 percent. The fundamentals, however, are not one size fits all, nor are they discrete and stand-alone investments in urban infrastructure for the sake of urban growth. To reap key job benefits, local interventions must be pursued as part of integrated strategies that match agglomeration with services, connect cities to markets, and create the conditions in which private firms and workers can thrive.

While MENA is incredibly diverse, the report framework can be applied to develop tailored city strategies across the region that leverage each city's unique starting point—including key strengths and binding constraints. The report has outlined general priority urban interventions which city and national government officials can consider along the region's spectrum of cities, including large, medium, small-size, coastal, inland, and FCV cities. The report's case studies—from Medellín's transformation through spatial integration to Gaziantep's export manufacturing success—prove that transformative change is possible within one generation and that the change can look very different, even while their foundational principals remain the same across density, connectivity, attractiveness, and public-private coalitions.

City transformation is not possible without support across the government—from the local to the national level—and the private sector. Successful policies arise from a combination of levers, that all combined are costly. It is thus essential to prioritize and sequence those interventions, while extending the financing resources beyond public means. Whether in highly centralized or decentralized countries, large or small, inland or coastal, successful cities all found ways to create a space for a range of public and private actors to come together to cocreate appropriate context-specific solutions. Given the place-based nature of such urban interventions, top-down support alone is ill-suited. Local authorities with strong local familiarity are indispensable assets across all cities, as are local private sector stakeholders who can clarify the private sector's specific needs, demands, and opportunities. Across contexts, local coordination mechanisms and metropolitan planning, where appropriate, can help cities achieve scale and avoid unproductive competition or duplication.



The demographic and economic imperatives facing MENA are urgent. Young populations need jobs. Economies must grow. Cities are where this transformation must happen. This evidence provided in this report helps city and national government leaders understand where MENA's cities stand and presents evidence-based job strategies that can be adapted to unique contexts for MENA cities to become the job growth engines the region urgently needs.

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Annex 1: Additional Figures

JOB CREATION AND LABOR PRODUCTIVITY

FIGURE 22: ANNUAL JOB CREATION RATE (%) BY REGION,[a] 2009–2024

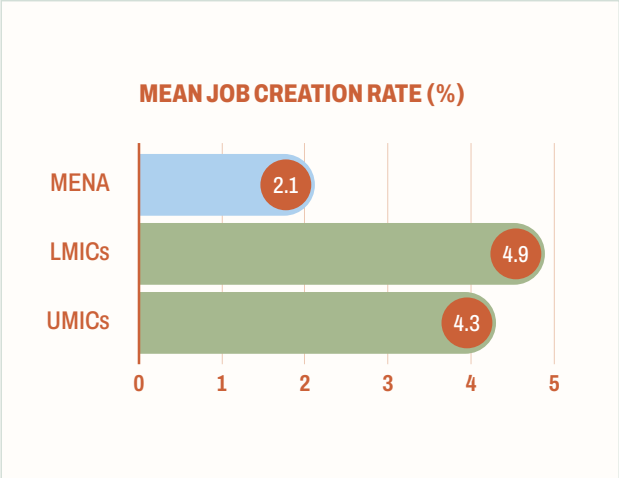
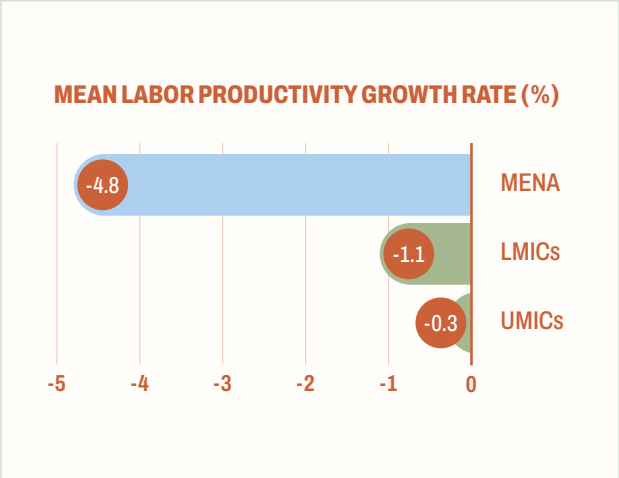


FIGURE 23: ANNUAL LABOR PRODUCTIVITY GROWTH RATE (%) BY REGION,[b] 2009–2024



NOTE: a. Firm-level (net) job creation rates are annualized averages over a three-year period, calculated as one-third of the ratio between the change in the number of full-time workers and the average number of full-time workers over the beginning and the end years;
b. Firm-level labor productivity growth rates are annualized averages over a three-year period, calculated as one-third of the ratio between the change in the labor productivity and the average labor productivity over the beginning and the end years;
Figure based on data for 10 MENA countries and economies, 39 lower-middle-income countries and 43 upper-middle-income countries. The 10 MENA countries are Djibouti, Egypt, Iraq, Jordan, Lebanon, Morocco, Saudi Arabia, Tunisia, West Bank and Gaza, and Yemen. Each data point represents a subnational-year observation. Firms surveyed by WBES are mainly from urban areas. The subnational-year observations are aggregated from firm-level rates using sampling weights.

SOURCE: WBES.

SERVICE DELIVERY GAPS

FIGURE 24: FIRMS REPORTING ACCESS TO LAND AS THE BIGGEST OBSTACLE (%)[a]

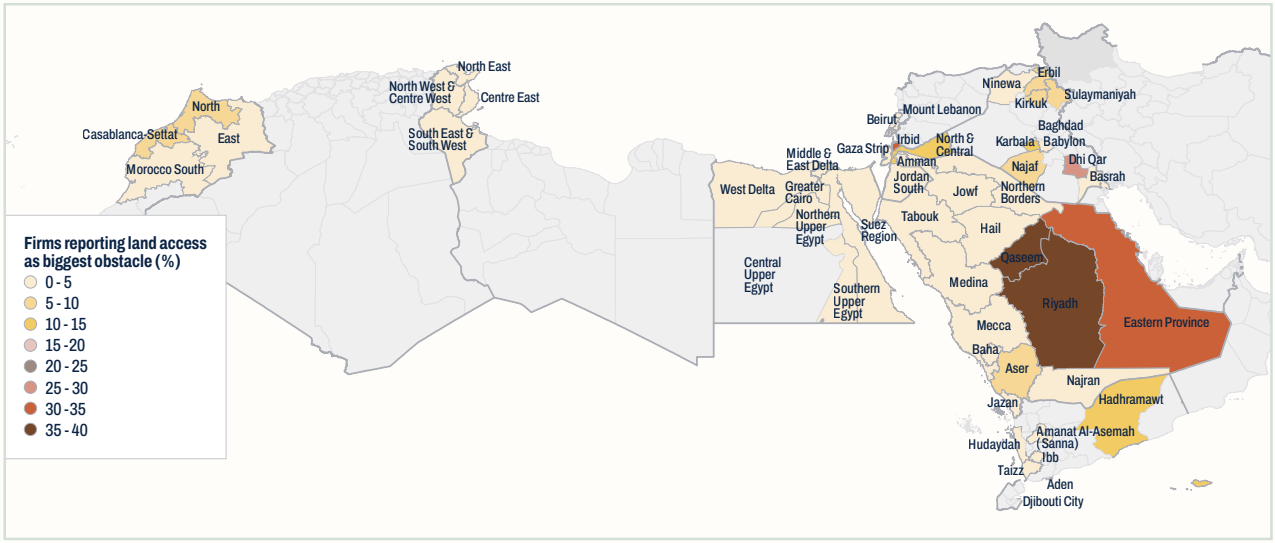
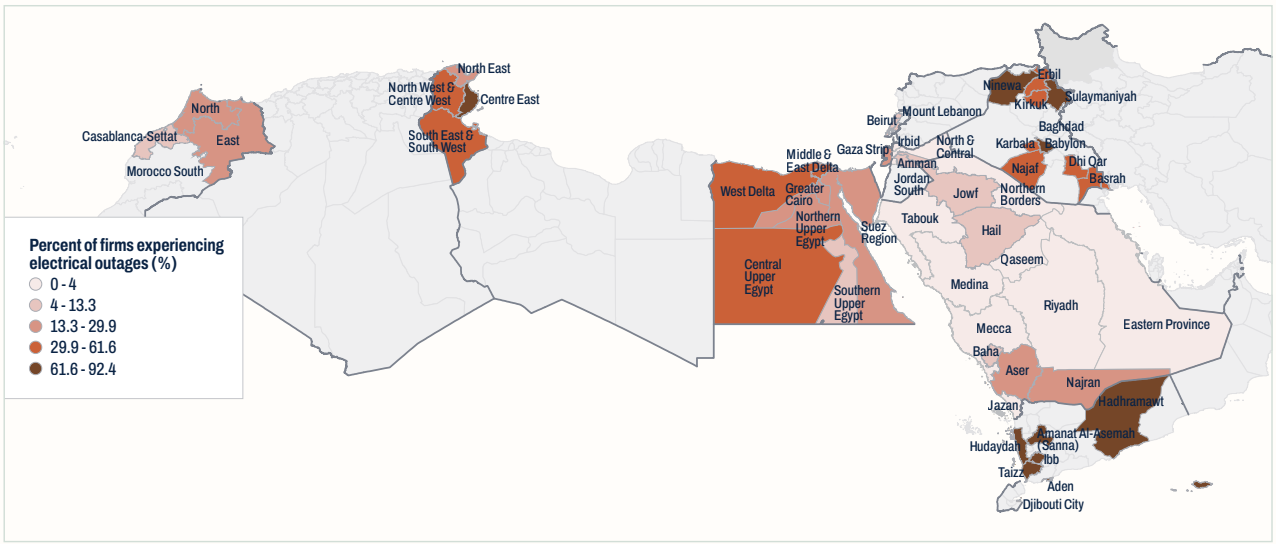


FIGURE 25: FIRMS REPORTING EXPERIENCING ELECTRICAL OUTAGES (%)[b]



NOTE: a. Subnational locations are classified into equal intervals by the share of firms reporting access to land as the biggest constraint. In three-quarters of locations, fewer than 5 percent of firms report land to be the greatest constraint. Locations with the highest reporting rates (25–40 percent of firms) are found in Saudi Arabia, Jordan, and Iraq; b. Subnational locations are classified into five quintiles by share of firms reporting electrical outages. Locations with the highest reporting rates (>29%) are found in Egypt, Iraq, Jordan, Tunisia, and Yemen.

SOURCE: Original figure for this publication, using WBES data.

FIGURE 26: FIRMS EXPERIENCING WATER INSUFFICIENCIES (%)[c]

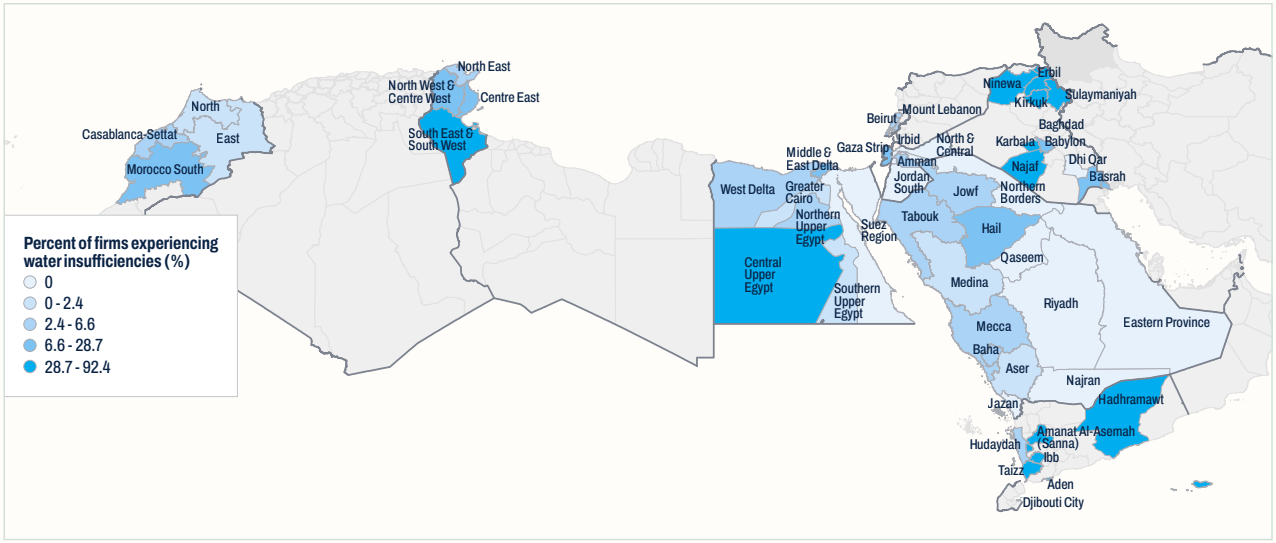
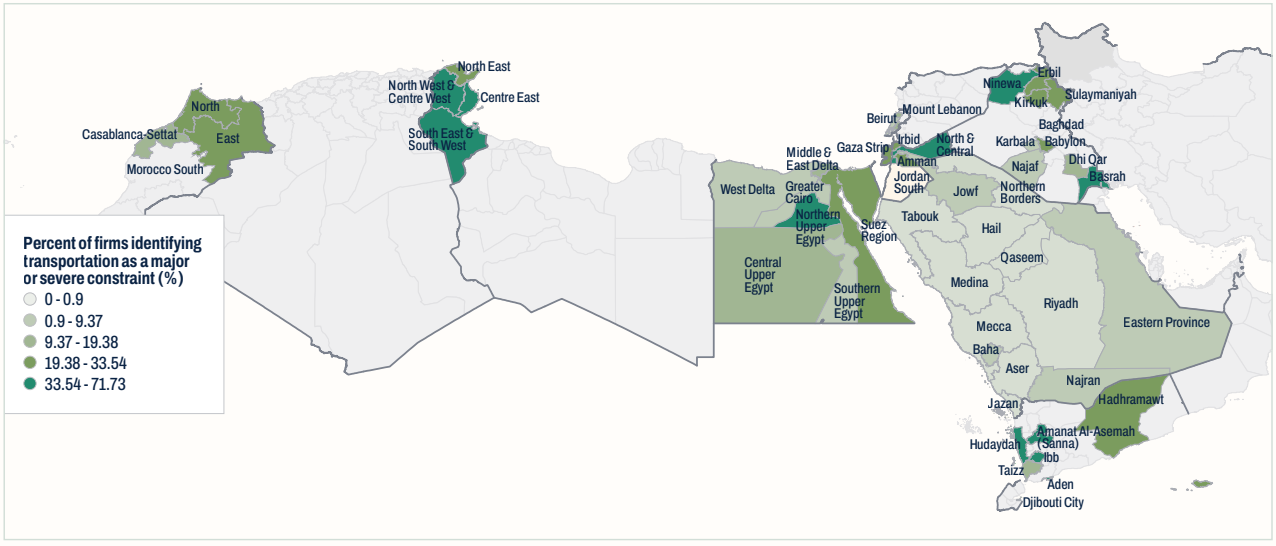


FIGURE 27: FIRMS REPORTING TRANSPORTATION AS A MAJOR OR SEVERE CONSTRAINT (%)[d]

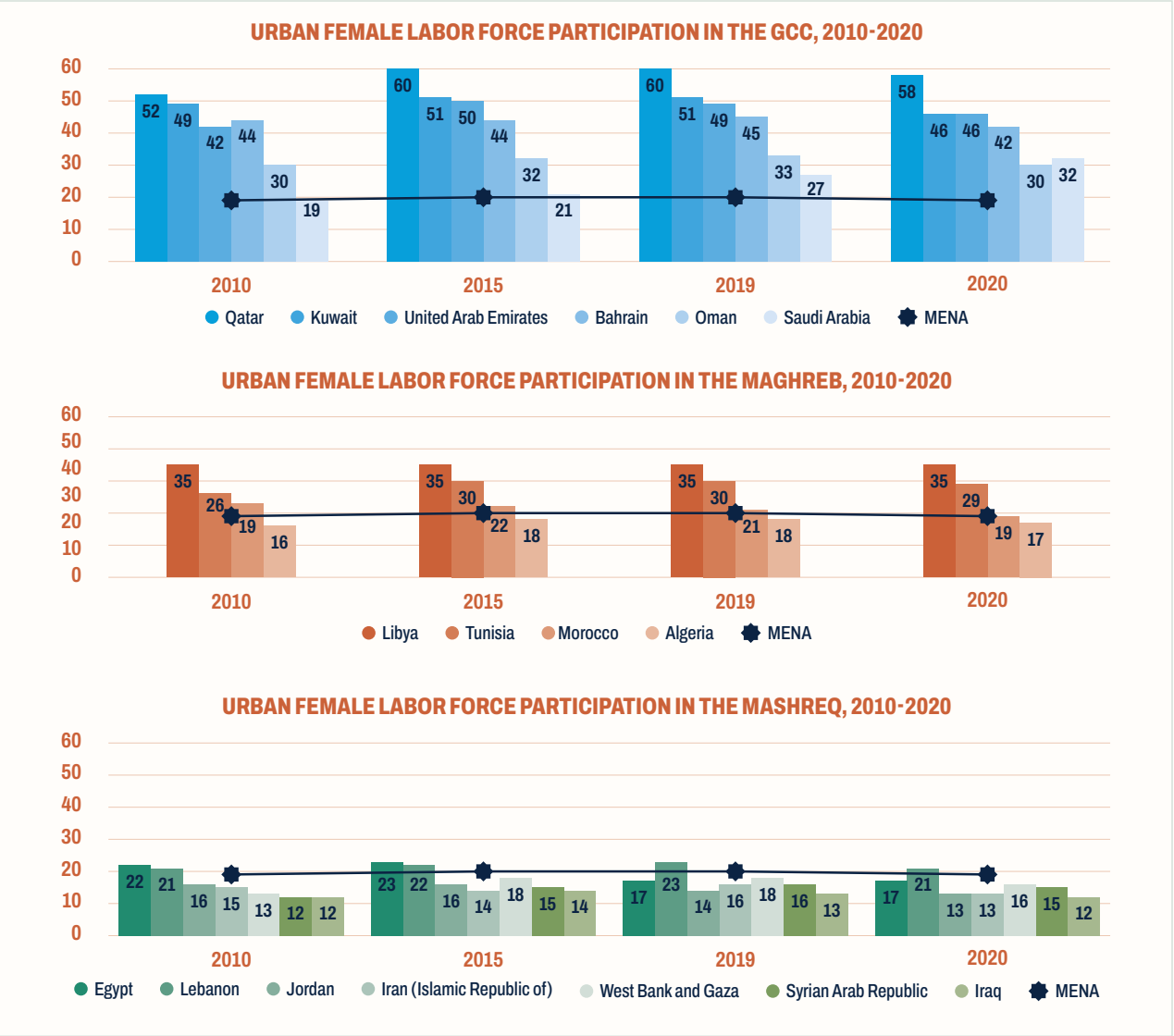


NOTE: c. Subnational locations are classified into five quintiles by share of firms reporting water insufficiencies. Locations with the highest complaint rates (>29%) are found in Egypt, Iraq, Tunisia, and Yemen; d. Subnational locations are classified into five quintiles by share of firms reporting transportation as a major or severe constraint. Locations with the highest complaint rates (>19%) include all regions of Tunisia and several locations of Egypt, Iraq, Morocco, and Yemen.

SOURCE: Original figure for this publication, using WBES data.

FEMALE LABOR FORCE PARTICIPATION

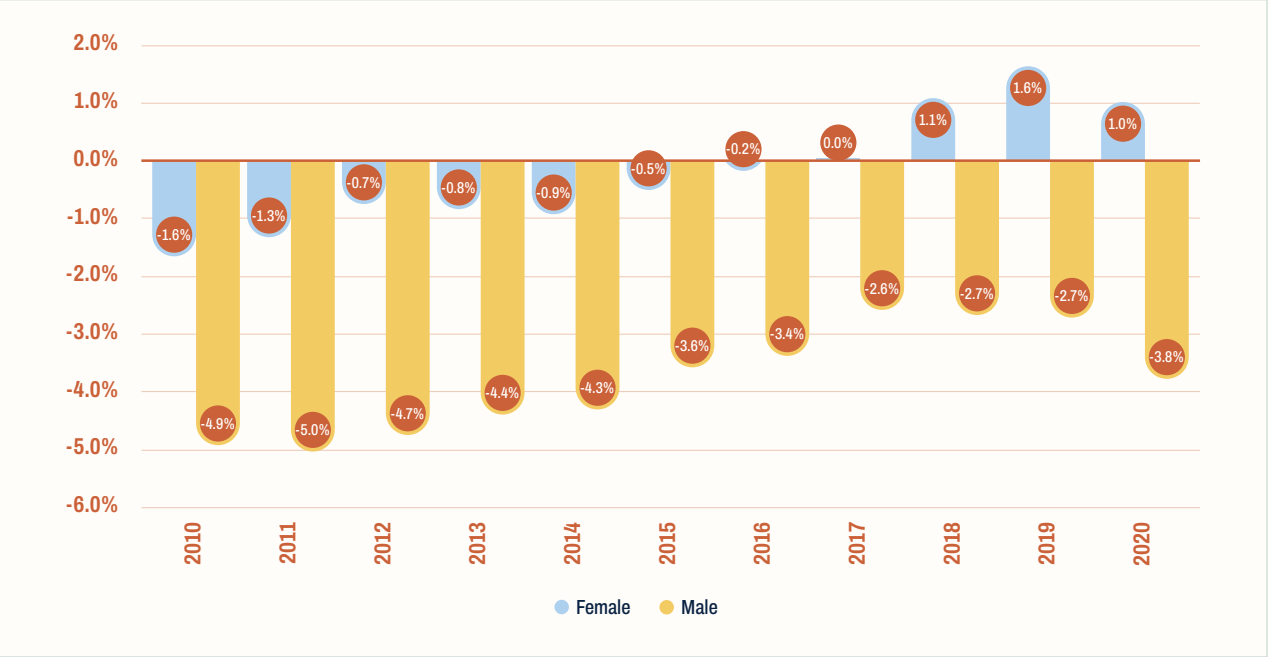
FIGURE 28: URBAN FEMALE LABOR FORCE PARTICIPATION (%) IN MENA COUNTRIES AND SUBREGIONS



NOTE: Regions grouped only in the visualization (that is, in the same chart); no compounded averages were calculated by regions.

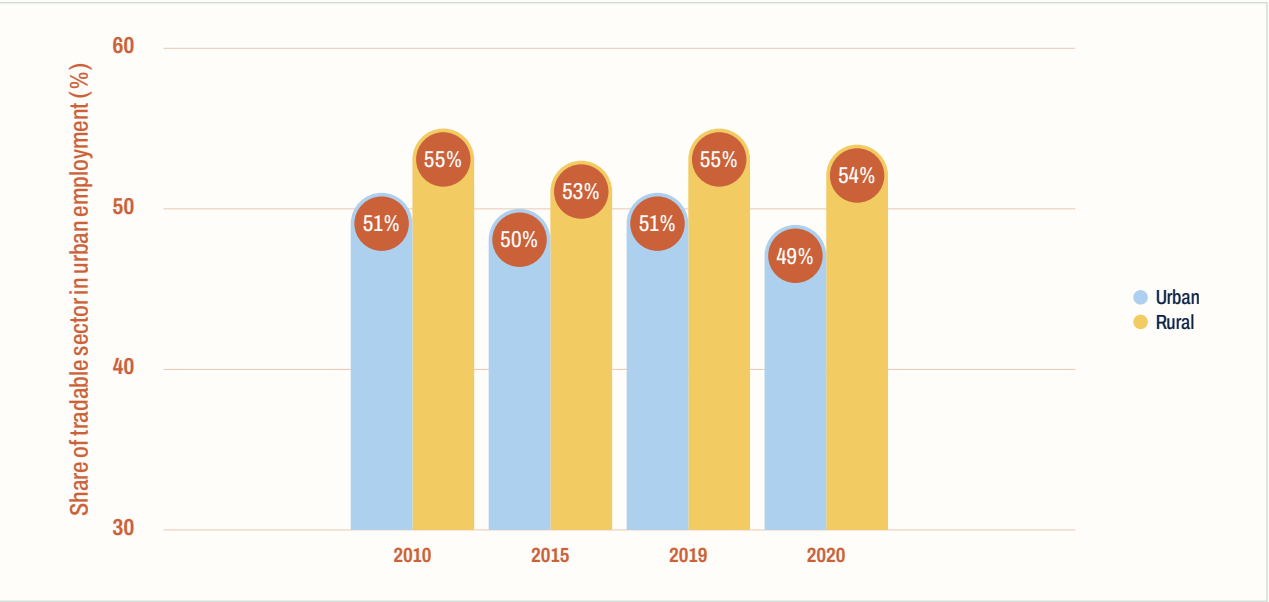
SOURCE: Compiled by World Bank staff for this work. Based on ILO data, modeled estimates November 2021. Accessed January 2025.

FIGURE 29: URBAN MINUS RURAL LABOR FORCE PARTICIPATION (%) IN MENA (FEMALE AND MALE), 2010–2020



SOURCE: Compiled by World Bank staff for this work. Based on ILO data, modeled estimates November 2021. Accessed January 2025.

FIGURE 30: MALE MINUS FEMALE LABOR FORCE PARTICIPATION RATE IN MENA (RURAL AND URBAN AREAS), 2010–2020



NOTE: Classification of urban and rural as found in the dataset (by name).

SOURCE: Compiled by World Bank staff for this work. Based on ILO data, modeled estimates November 2021. Accessed January 2025.

FIGURE 31: ROAD DENSITY AND SHARES OF FEMALE EMPLOYMENT IN MENA CITIES

NOTE: Road density is log transformed.

SOURCE: Female employment shares calculated using data from IPUMS International. Data Years: Egypt 2006, Iran, Islamic Rep., 2011, Iraq 2011, Jordan 2004, and Morocco 2014. Data covers 367 FUAs.

FIGURE 32: CORRELATES OF CITY FEMALE EMPLOYMENT SHARES IN MOROCCO

PREDICTOR	ESTIMATE	P-VALUE	SIGNIFICANCE
Intercept	0.09	0.059	*
Share of High- Skilled Workers	0.365	<0.001	***
Total Employment (ln)	0.005	<0.001	***
Morocco × Port Travel Time	–1.53e–04	0.016	*
Morocco × Road Density (log)	8.97e–03	0.017	**

NOTE: ***, **, and * indicate significance at the 1, 5, and 10 percent levels, respectively. Estimated coefficients for (Morocco × Port Travel Time) and (Morocco × Road Density (log)) are net estimated coefficients. Other variables included in the regression are country-level fixed effects, nighttime lights, population density, travel time to airports, and ruggedness of roads. Sample covers 367 FUAs in Iran, Islamic Rep., Iraq, Egypt, Jordan, and Morocco.

Annex 2: Afghanistan and Pakistan

In 2025, Afghanistan and Pakistan were added to the World Bank's MENA region, which became the 'Middle East, North Africa, Afghanistan, and Pakistan' region. This More and Better Jobs analysis was completed before this change, and hence, Afghanistan and Pakistan are not included within the definition of MENA used in the main body of this report. In this annex, we report on headline findings regarding their respective gaps to the frontier.

In Pakistan, this analysis includes 182 FUAs with nearly 90 million inhabitants, including 10 large cities. In Afghanistan, the analysis includes 28 FUAs with just over 10 million inhabitants, including one large city.

Cities in Afghanistan and Pakistan appear to be substantially further from the productivity frontier, on average, than MENA averages. The median gap to the frontier in Afghanistan is 42.3 percent, and in Pakistan is 36.6 percent, compared to the MENA median gap of 18.9 percent. In both countries, small cities are the furthest from the frontier (45.7 percent and 38.2 percent, respectively), medium cities the next furthest (33.5 percent and 33.9 percent, respectively), and large cities are the closest to the frontier (29.7 percent and 27.2 percent, respectively).

TABLE 7. MEDIAN GAP TO THE FRONTIER IN AFGHANISTAN AND PAKISTAN

	MEDIAN GAP TO THE FRONTIER	NUMBER OF CITIES
Afghanistan	**42.8**	**28**
Largest city	29.6	(1)
Large cities (>1.5 million)	29.6	1
Medium cities (200,000–750,000)	33.6	7
Small cities (<200,000)	45.4	20
Pakistan	**36.8**	**182**
Largest city	23.0	(1)
Large cities (>1.5 million)	27.1	10
Medium cities (200,000–750,000)	34.5	55
Small cities (<200,000)	38.6	117

SOURCE: World Bank Data

Cities that Work

REALIZING THE JOBS POTENTIAL OF MENA'S CITIES