

INTERNATIONAL MONETARY FUND

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL FINANCE CORPORATION  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES  
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Press Release No. 23

October 3, 2004

Statement by the Hon. **ABDULLA HASSAN SAIF**,  
Governor of the Fund and the Bank for **KINGDOM OF BAHRAIN**,  
on behalf of the Arab Governors,  
at the Joint Annual Discussion



**Statement by the Hon. Abdulla Hassan Saif,  
Governor of the Fund and the Bank for the Kingdom Of Bahrain,  
on behalf of the Arab Governors,  
at the Joint Annual Discussion**

In the Name of Allah the Compassionate and the Merciful

Peace and God's blessings be with you,

Mr. Chairman,

Ladies and Gentlemen,

It is a great pleasure for me to deliver, on this day and on behalf of the Group of Arab countries, the joint speech for this year's IMF and World Bank (WB) annual meetings. To begin with, please allow me, on behalf of all Arab governors, to congratulate Mr. **Rodrigo de Rato y Figaredo** on appointment for IMF Managing Director position. At the same time, I would like to express the support of the Arab region for him personally and aspiration for more constructive cooperation between IMF and the Arab region in the coming years.

It is comforting to see signs emanating from economies of the US, Japan and Europe, as well as economies of some other Asian countries, indicating imminent end of the weakness affecting global economy in the past few years. Such a development, along with efforts aimed at economic reform, has contributed to strengthening growth in many developing countries, our Arab countries included.

This recovery in the global economy has also led to noticeable increase in the demand for oil at a time marked with political tensions in some oil-producing areas. At the same time, price speculations got active and low stocks occurred in oil-consuming countries. This led to increased pressure on oil prices pushing them to unprecedented levels. Based on international responsibility and deep-rooted conviction that market stability is in the interest of all countries, oil-exporting countries, particularly in our Arab region, increased oil-production to keep prices within the limits set for them.

Mr. Chairman,

Ladies and Gentlemen,

Of course, we look forward to more improvement in the global economy. At the same time, we are concerned about the repercussions of some risks mostly emanating from imbalances in the balances of payments of major countries. It is likely that interest rates will rise, thereby reducing debt sustainability of developing countries. This will increase volatility of capital flows and escalate political tensions in some regions of the world, as happened in the late 1990s.

These concerns motivate us to urge the international community not to belittle such risks and to urge major actors in the global economy to cooperate with IMF to strengthen its oversight role in the face of current account imbalances, particularly in major economies with large-scale impact.

Due to past difficulties experienced by the global economy as a consequence of such risks, the Arab group of countries attach special attention to the question of avoiding fiscal crises in member countries and tackling the same as they occur. We applaud efforts put forth by IMF in the past few years to introduce a number of new diagnostic tools which help in monitoring and detecting crises before they hit. We hope that IMF will continue pursuit of such efforts to stop such crises from occurring or spreading in the future. It may be useful in this respect for IMF, when designing reform programs, to take into account the need for producing quality designs and rationalizing respective conditionality. Whenever possible, circumstances of each country should be taken into account and more than one option should be provided to enable each country concerned to achieve the goals specified in respective programs.

Since technical assistance provided by IMF to member countries is an effective means of addressing weaknesses in the economies of such countries, we propose allocation of more resources to meet growing demand for such assistance. In this regard, we welcome the establishment of the Middle East Technical Assistance Center (METAC) and call upon donor countries and institutions to participate in financing this Center.

With a view to enabling IMF to strengthen its activity towards this goal as emphasized in previous meetings, developing countries should have more voice and enhanced representation in ownership and management of both IMF and the World Bank. This will strengthen prudent management and good governance in both institutions and enhance their legitimacy, thereby increasing efficacy of their respective economic-policy recommendations, as only a little progress has been achieved in this respect so far.

Mr. Chairman,

Ladies and gentlemen,

We fully agree with the drive to meet the Millennium Development Goals (MDGs) which set a timeframe for poverty reduction among a range of social development indicators. We particularly applaud the monitoring methodology implemented by the Ministerial Development Committee, of which I am honored to be a member, to monitor efforts of developed and developing countries as well as international financial institutions in this respect. Since most MDGs will not be met by many developing countries as scheduled, we urge the countries concerned to double their efforts in the area of reform. Moreover, we appeal to donor countries to increase support for such efforts. As revealed by findings of monitoring reports, developed-country contribution to strengthening of reform efforts, in both provision of financial resources and adaptation of their trade policies, has fallen well short of the level unanimously agreed in Monterey and the Doha Round.

In this regard, we applaud the principle framework reached in the recent World Trade Organization meeting. We hope that such framework will be implemented pretty soon and followed by more actions of trade liberalization. We look forward to positive results in the current proceedings for the 14<sup>th</sup> Replenishment of Resources of the International Development Association (IDA 14), as this will support efforts by developing countries to reduce poverty and meet the other Millennium Development Goals.

Mr. Chairman,

Ladies and Gentlemen,

Please allow me now to turn to World Bank Group activities and role in our Arab region. As we all know, the main focus underpinning World Bank Group's policies and activities in our region has been poverty alleviation and the raising of living standards, particularly for low-income groups. This direction has met with satisfaction and support from all countries in our region, In view of severe problems faced whether by individual countries or commonly with other developing countries. Such problems often involve low income levels, poor growth rates, sharp volatility in terms of trade as well as unfavorable regional circumstances. Countries of our region have always sought to strengthen cooperation with the World Bank Group and other international institutions to benefit from expertise and resources needed to address such problems and to strengthen undertaken reform programs.

From this podium, and on behalf of Arab country governors, I express gratitude to World Bank management, particularly to Mr. Wolfensohn, for attention to strengthened cooperation with countries of our region. I would like to particularly indicate periodical consultative meetings held between governors representing our countries and World Bank management. We look forward to more cooperation with World Bank management in areas of concern to all of us.

I would like to avail myself of this opportunity to emphasize, as agreed with Bank management, the need for flexibility in dealing with our countries due to different situations and needs. In this respect, we hope that the Bank will take into account, when designing financing and development programs, the various and different circumstances of each country in our region. We also hope that the World Bank Group will continue to direct increased attention to middle-income countries as many of our countries fall in this category.

The greatest challenge facing countries in our region is certainly the need to create enough job opportunities to absorb the growing numbers of young people entering the workforce. There is full agreement between our countries and the World Bank Group on the need to give this concern top priority. Consequently, Arab countries appreciate studies conducted by the Bank to analyze dimensions of this issue and envision necessary interventions which should include actions to facilitate transitions into economies more open and less dependent on natural resources and the public sector.

Undoubtedly, private sector strengthening and improvement of investment climate top the list of means to accelerate growth rates and job creation. Hence, our countries look forward to a more effective role played by the World Bank Group in these respects. Such a role will eliminate impediments to meeting financial and technical needs of our region, including streamlining of lending conditionality and reducing borrowing cost. Arab countries particularly look forward to a specific action plan by the World Bank Group to increase activities of the International Finance Corporation and the Multilateral Investment Guarantee Agency in our region, as their role is still below required level.

Despite volatility and record low levels of funding volumes from the World Bank Group to our region in some years during the past period, we would like to applaud the role played by the World Bank Group and IMF in supporting countries going through extremely difficult circumstances due to local conflicts. We particularly indicate the sufferings of the Palestinian people due to escalating destruction caused by occupation forces. This situation warrants the doubling of support to the Palestinian Authority by the two Bretton Woods institutions, in close cooperation with donor countries and other financial institutions. We also emphasize the need for consolidated international community efforts to reach a final solution to this question.

At this juncture, we indicate the actions of Israeli occupation authorities such as the raiding of some branches of Jordanian banks operating in Palestinian territories and seizing large amounts of money deposited in such branches, in addition to tampering with files pertaining to clients of affected banks. Undoubtedly, such actions violate all international laws and agreements, including the IMF Articles of Agreement, and hamper efforts by our Arab countries to create the enabling banking environment and establish peace and stability aspired by all peoples in our region. We must also note that economic sanctions imposed on the Syrian Arab Republic contravene the objectives of our two institutions as enshrined in the need to ensure freedom of trade and payments. The same sanctions hamper Syria's efforts aimed at achieving economic development and reform.

Concerning Iraq, which is still suffering from war's destructive impact on its economy and society, we look forward to transition by the World Bank Group, IMF and other donor organizations from the stage of preparation and management and technical capacity building into active involvement in projects, particularly those contributing to: job creation, utilization of resources from our two institutions, elimination of debt burden, and provision of resources needed for reconstruction efforts.

We also welcome re-engagement with the Sudan and look forward to re-engagement with Somalia. We hope that the World Bank Group and IMF will effectively resume activities in both countries.

In conclusion, Mr. Chairman, there are positive signs calling for optimism in our region. Some countries have achieved progress in their economic indicators, particularly in respect of: growth rates, price levels, financial balances, current accounts and external debts. Nevertheless, we are still faced with many challenges that we need to overcome through

effective partnership between our countries on the one hand and the World Bank and IMF on the other hand.

Peace and God's blessings be with you