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Statement by the Hon. **ALI HASSAN KHALIL**,
Governor of the Bank for **LEBANON**,
on Behalf of the Arab Governors

Joint Arab Group Speech

To be delivered by His Excellency Mr. Ali Hassan Khalil

Minister of Finance of the Lebanese Republic

On behalf of Arab Governors

At the Joint IMF and WBG Annual Meetings

October 2014

Mr. Chairman, Ladies and Gentlemen,

1. It is a pleasure for me to deliver this year's joint Arab speech on behalf of Arab Group governors for International Monetary Fund (IMF) and the World Bank (WB). At this time, political and economic developments are moving at a rapid pace in our region. Their adverse impacts are affecting efforts exerted by Arab countries to: establish economic and fiscal stability essentials, strengthen more inclusive and diversified development opportunities, and reinforce equity and equal opportunity principles.

2. Despite the slight improvement in rates of economic growth witnessed by the Arab region this year, such growth is still low and a cause for concern. Our economies are still faced with significant risks and challenges, particularly with concomitant repercussions from destructive conflicts in: the Syrian Arab Republic, the Republic of Iraq, and Libya, in addition to disturbances and transitions that are also going on in a number of other countries in the region. This has resulted in uncertainty of the course conditions are taking in those countries that were already experiencing the effects of slow global economy recovery. All that reflected itself on investor confidence leading to low growth rates and increased unemployment, particularly among the youth. As you well know, adverse impacts and huge requirements of political transitions cannot be overlooked as they may take long periods of time. Moreover, popular pressures are increasing on governments that are already faced with fiscal pressures, deepening economic and fiscal problems in those countries whether at the macroeconomic level or the level of living standards and public services provided to citizens, particularly those of low-income.

3. You also know well the deep economic and social impacts and repercussions of Syrian refugee influx into neighboring countries. We appreciate efforts made by both institutions, particularly by the World Bank Group in this connection. But we reiterate our call for increased efforts and economic and social services to help Jordanian and Lebanese authorities in addressing the implications of such refugee influx. We would also like to recall the pledge made by the World Bank President during his recent visit to Jordan and Lebanon to convey the sufferings and needs of those refugees to all international agencies and organizations concerned. IMF and the World Bank should mobilize donor efforts and funding needed for addressing human and developmental burdens of refugees and the communities hosting them.

4. At the time we emphasize the role of the international community in restoring political stability and addressing the crises facing countries of our region, we also call on IMF and the World Bank to work with countries of the region to realize economic and fiscal stability as a prerequisite for tackling medium and long-term economic and social challenges. This will also require assisting countries of the region in: deepening necessary economic and social reforms, enhancing regional economic cooperation and integration opportunities, and increasing integration into the global economy.

5. In this context, I would like to commend the great efforts and reforms undertaken by authorities in Arab countries during this period. They pursued economic and fiscal stability in circumstances that are difficult to say the least. I would also like to thank Arab countries, particularly countries of the Gulf Cooperation Council that extended help and support to their brethren countries going through political transitions. Such help and support contributed greatly to reducing burdens and strengthening potentials of economic and fiscal stability.

Mr. Chairman, Ladies and Gentlemen,

In light of developments and conditions currently experienced by our Arab countries, please allow me to present our views of issues and priorities of cooperation with IMF and the World Bank at several levels. First, at the level of aspects related to both institutions. The second relates to IMF's role. The third relates to aspects concerning the World Bank Group.

6. In respect of matters jointly relating to IMF and the World Bank, we recognize relative intensification of efforts at the level of financial support, technical advice and analytical work, particularly concerning: job creation, subsidy reform, and financial sector development. We appreciate such efforts while renewing emphasis on providing more financial and technical assistance to Arab countries going through political transitions. Such assistance should be based on needs and particularities of each respective country, coupled with necessary flexibility.

7. Moreover, in light of the enormous financial and technical needs of Arab countries, we emphasize the role that can be contributed by IMF and the World Bank to mobilize and leverage more financial resources from non-Arab donors to support programs and projects in such Arab countries, especially from G-8 and European Union countries. We look forward to IMF and the World Bank acting as the link between our region and countries interested in providing increased support to help in overcoming this critical transition period. Specifically, we encourage the IMF and the World Bank to intensify their cooperation with the Arab Republic of Egypt in the period ahead in order to boost the Egyptian efforts aimed at organizing an international economic event in February 2015, i.e. the "Egypt's Economic Summit", with a view to highlight Egypt's development vision and the national socio-economic reform agenda needed to realize that vision, in addition to attracting direct investments and technical support for the Egyptian development program.

8. We also welcome the achieved cooperation between IMF and the World Bank on the one hand and Arab funds and financial institutions on the other hand. Nevertheless, we look forward to increased partnerships, including those for financing joint projects and training and educating of cadres.

9. World Bank and IMF support for the Palestinian Authority constitutes an essential factor for encouraging the international community to continue its vital support for the Palestinian people

in tackling the difficult challenges faced by Palestinians on a daily basis. In this respect, we would like to urge the World Bank Group to scale up their programs and financial support to enable Palestine to establish a sustainable/viable economy and stable official institutions.

10. We welcome progress achieved in relations with the Sudan and Somalia. We call on the international community, through you, to increase efforts to enable the Sudan to benefit from the HIPIC initiative hoping to see concrete steps in this respect. We also call for continued cooperation with Somali authorities to provide institutional capacity for managing the country's economy. In this connection, we welcome establishing a fund to support the institutional reforms of the Somali economy.

11. In this context too, we call upon both our institutions to review constraints imposed on the grant component of loans/credits to low-income Arab countries, including those benefiting from the HIPIC initiative. This will help such countries to access more financial resources to finance their development needs. This is needed due to decreased official development assistance, on one hand, and conditions holding in those countries, on the other hand.

12. With regards to human resource diversification in the World Bank and IMF, viewed in member Arab countries as an integral part of the credibility of both institutions, we welcome efforts taken by the IMF in this respect. Nevertheless, we still regret, despite administrative and structural reforms in the World Bank, the underrepresentation of Arab nationalities in both institutions, particularly at the level of managers and high level professionals. Accordingly, we renew our call to senior management in both institutions to intensify efforts to increase recruitment of Arab nationals and support their career development.

Mr. Chairman, Ladies and Gentlemen,

13. In respect of matters relating to IMF's role, my colleagues and I welcome the interaction and the programs agreed on between IMF and: Hashemite Kingdom of Jordan, Republic of Tunisia, Kingdom of Morocco, and the Republic of Yemen as well as resources provided or put at the disposal of these countries in this context. Nevertheless, we emphasize the need for more resources, on the one hand, and the necessary response and flexibility on the other hand, in dealing with Arab countries in a manner similar to what was accorded recently to some countries in the Euro zone and other countries.

14. Moreover, recognizing the crucial importance of deepening financial and banking sectors in our Arab countries to enhance their capacity to provide financing for the private sectors, we emphasize the need to assist Arab countries in developing such sectors. Particularly, to support financial integration, deepen local currency financial markets, and develop non-banking financial institutions and sectors. In addition to that there is a need to establish financial stability

essentials, and help in the compatibility with new international financial and banking oversight legislations and criteria.

15. In this connection, we call on IMF to respond to technical assistance requests in the area of the various taxation reforms. This will help Arab countries develop suitable policies responsive to international trends in this respect.

16. We also welcome the developments at the level of the initiative to "Develop Statistical Systems and Capacities in Arab Countries – ArabStat" as well as IMF efforts to make this initiative a success story. We stress the need to bring such efforts to fruition since timely, reliable and comprehensive statistics are crucial for devising good economic policies.

17. We also would like to broach once again the issue of quotas, including the fifteenth general review of IMF quotas. We stress again that such reforms should lead to equitable and fair representation of Arab countries in the IMF. It is no secret that most of the quotas transferred to some emerging markets and developing countries in the context of 2008 and 2010 reforms were at the expense of other emerging markets and developing countries, including most Arab countries. Accordingly, we request that consideration be accorded to: impact of Arab countries on global economy, the role they play in stability of energy markets, and their financial contributions to IMF resources.

Mr. Chairman, Ladies and Gentlemen,

18. Allow me to point out some issues related to the World Bank Group. To begin, we welcome the new World Bank Group strategy. We hope that reforms announced will lead to improvement of World Bank capacity, efficiency and quick response to requirements of the neediest member countries. We stress the need, in the new World Bank strategy, for adoption of an integrated approach towards the Arab region. Such approach should take into consideration regional needs as well as economic and political conditions in the region, and should constitute the basis for devising a qualitative and innovative strategy compatible to transitions going on in the region and to the hard conditions and huge needs at this juncture. Such strategy should be transparent and include specific timed programs subject to periodical examination and implementation monitoring through measurable results, including the amount of financing allocated to our region. We refer in this context to the outcomes of the extraordinary meeting of Arab ministers of finance and the United Arab Emirates initiative in support of economic stability in the Arab region that should be one of the references for this strategy. Despite our recognition of the recent improvement in World Bank activities, however, my colleagues and I still feel disappointed because of limited World Bank staff presence in our countries and inadequate support allocated in World Bank budget to our Arab region.

19. We urge the World Bank Group to design Islamic banking technical assistance programs as well as capacity building and training programs in this regard.

20. We call upon the World Bank Group to assist in: removing actual trade obstacles that restrict the flow of inter-Arab trade, and supporting the initiative for developing inter-Arab trade. This will entail facilitating the establishment of joint Arab projects in areas that will lead to increased trade exchange, developing and facilitating growth of the transportation sector through legislation and actions as well as laws and conventions. Existence of Arab shipping fleets as well as advanced land and railway transport networks should also be part of this effort.

21. We look forward to intensified World Bank Group support for enhancing vocational and technical education skills and capacities of the work force. The private sector should be involved in curricula designing and in strengthening the link between acquired skills and jobs in the private sector. Efforts should focus mainly on stimulating growth and investment in order to absorb the huge numbers of job seekers in the Arab world.

22. In this context, we welcome the World Bank's establishing of the Global Infrastructure Facility, and hope that our region will not be excluded from the operations of this facility. We also welcome the World Bank's reviews of procurement Framework and social and environmental safeguard policies. In this regard, we urge the World Bank to take into consideration community values and cultures of member countries and to respect national constitutions.

23. My colleagues and I welcome the MENA-Scale-Up Initiative as pointed out last year. We reiterate the importance of translating this initiative into more financing, programs and projects- specifically projects that support private sector growth, develop infrastructure, and help increased job creation. We also look forward in this connection to accomplishing the aspired results of the Early Stage Innovation Financing Facility (ESIF).

24. Moreover, we call on the World Bank to provide more studies and thorough analyses aimed at devising solutions for issues and priorities of interest to Arab countries such as: youth unemployment, social safety networks, skills and education, government subsidy policies, sustainable energy management, food security, as well as financial sector infrastructure. All with the hope of adopting such solutions and implementing them through programs and projects.

25. We welcome World Bank efforts to help the Republic of Yemen, in the context of Friends of Yemen, in tackling the significant economic challenges. We hope that concrete results will be achieved. We also stress the importance of providing support needed in post-conflict situations, including in some Arab countries.

26. We also stress the importance of the role played by the International Finance Corporation and the Multilateral Investment Guarantee Agency for supporting private sector roles in Arab economies, thereby promoting and supporting investments in our region. While we welcome

progress of relations with both these institutions, we stress the need for increased activities in the Arab region, particularly in the area of supporting development and growth of small and medium-size enterprises, through facilitating access to financing and financial services as well as technical assistance that is as important as investment projects.

27. Finally, we emphasize our full support for international community efforts in establishing Millennium Development Goals for the period beyond 2015. We commend the World Bank efforts to devise suitable and innovative solutions supporting prosperity, equality, and sustainability, through encouraging increased participation by governments, civil society, international organizations, and private sector activities. Moreover, we stress the need for focusing on poverty root causes and on devising goals equally applicable to both developed and developing countries.

Mr. Chairman, Ladies and Gentlemen,

We are all partners in development. Hence, we call on you to double your efforts to achieve the desired objectives, which will strengthen this partnership and cooperation, enabling us to tackle the vast challenges facing our region at this juncture. Accordingly, we hope to see the results of your efforts to galvanize the support of international community materialize, to help create economies that are able to generate more jobs, and achieve economic stability as well as social integration.

Thank you