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Statement by the Hon. **MR. TAOUFIK BACCAR**,
Governor of the Fund for **TUNISIA**,
On behalf of the Arab Governors
At the Joint Annual Discussion

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1. Mr. Chairman, André-Philippe Futa, it is a privilege for me to deliver the Joint Arab group speech for this year's Annual Meetings of the Board of Governors of the World Bank and the International Monetary Fund. Please allow me at the outset, on behalf of all the Arab Governors, to congratulate Mr. Paul Wolfowitz on his appointment as President of the World Bank and to express our support for his endeavors to achieve the Bank's objectives, and also to thank Mr. Rodrigo de Rato for his continued attention to the challenges facing our region. I also wish to express my deep sorrow and sympathy to the American people for the tragic aftermaths resulted from Hurricane Katrina.
2. Mr. Chairman, it is comforting in respect of the status of the global economy to note that this year's growth rates are expected to stay at a more sustainable level in an environment of low inflation, with most regions of the world, including the Arab region, enjoying healthy growth rates. We regret, however, the absence of tangible progress to address external payments balances and fiscal deficits of major industrial countries. It is therefore, as we see it, a reason for IMF to work more effectively to promote global financial stability.
3. We also note that the rise in oil prices, so far, has not caused a slowdown in global economic growth, demonstrating increased resilience of the global economy in dealing with such increase. Nevertheless, we stress the fact that curbing volatility of oil prices is in the best interest of all countries, which entails joint efforts to enhance investments in crude oil production sector as well as refinery capacity in order to increase oil supply and meet growing demand. Moreover, we call for enhancing dialogue and collaboration mechanisms between producers and consumers, and for improving information gathering mechanisms. In this regard, we note the importance of strengthening the Global Energy Forum. On their part, oil-exporting countries in the Arab region have substantially increased their oil production and put in place investment plans to expand production capacity. Moreover, we urge the International Financial Institutions (IFIs) to promote appropriate mechanisms to address difficulties faced by oil-importing developing countries.
4. Mr. Chairman, we reaffirm our strong support for the strategies and decisions agreed in Monterrey, Doha, and Johannesburg, which set out a framework for fighting poverty and achieving the Millennium Development Goals (MDGs) as agreed by world leaders. We note, however, with concern that most developing countries, despite implementing deep economic and structural reforms, will not be able to meet the MDGs. We, therefore, call on the industrial donor countries to reaffirm their

commitment to achieving these goals, and to scale up their efforts to reach the goal of an ODA/GDI ratio of 0.7 %. We also urge the international community to increase technical assistance and to improve coordination of the same. We also affirm that Arab countries are committed to meeting the MDGs and reaching the set goals. We also support the proposal of the State of Qatar to host the First Follow-up Conference of the International Conference on Financing for Development, as provided for in the Monterey Consensus in 2007.

5. We urge international organizations engaging in development to devote more attention to eliminating the digital divide and the flagrant inequality between developed and developing countries in control and ownership of knowledge as well as information and communication technologies. In this respect, the World Summit on the Information Society to be held in Tunis in November 2005 constitutes a great opportunity to adopt concrete actions in order to appropriately help developing countries.
6. We reaffirm our strong support for expanding developing country participation in decision-making processes and increasing their voice in international financial organizations. We believe that this will, in turn, enhance the legitimacy of such organizations, thereby increasing the efficacy of their respective recommendations and capabilities.
7. We also reaffirm our commitment to multilateral trade liberalization in the context of the World Trade Organization and regret that no progress has been made on this issue, so far. In this regard, we express hope for a successful completion of the Doha round, notably in liberalization of agricultural produce trade. We also urge the Bretton Woods institutions (BWIs) to address trade-related vulnerabilities in developing countries, especially with regard to the impact of the phasing out of quotas under the Multi Fiber Agreement. We welcome the introduction of the Trade Integration Mechanism by IMF to deal with this issue and call for further progress on adapting the Fund's instruments to deal with balance of payments deficits due to exogenous shocks.
8. The Arab countries of our region attach particular importance to global capital flows and their projected growth in coming years. We deem it necessary for IMF to have a clear and effective role in this regard in order to support developing countries, address volatility of capital flows and reform its precautionary mechanisms. We believe this will require IMF to upgrade its expertise in this regard and address its shrinking capital base.
9. With regard to the IMF's role in low-income countries (LICs), in our view, its surveillance role, programs and analyses need be tailored to particular circumstances of each of these countries, taking into consideration their debt burdens as well as their own potentials to meet their financial and technical requirements.

10. This takes me, Mr. Chairman, to addressing the G8 debt relief initiative for HIPC countries. We hope that this initiative can contribute effectively to economic growth in those countries, We also hope that it should not be linked to further conditionality and should help such countries meet their MDGs. We hope that the Bank and IMF will play a constructive role in designing an operational framework for implementing this initiative, in such a way that will not adversely affect these institutions' future ability to provide financial resources for development. In this regard, we reaffirm that countries embracing this initiative should provide the two institutions with the necessary resources to deliver their share of additional debt relief for HIPCs. We also call for expanding this initiative to include a wider group of heavily indebted countries in order to reduce their debt burdens and minimize pressures over their limited financial resources.
11. Mr. Chairman, there was noticeable overall improvement in the performance of Arab economies last year, driven by several factors, notably: structural reforms in many of these countries, sound financial policies, as well as higher oil revenues. It has been noted that oil-exporting countries better used their oil revenues to strengthen their fiscal and financial positions and to achieve higher growth rates, with positive spillover to other countries in the region.
12. The main challenge facing our region is the creation of sufficient employment opportunities for a burgeoning and youthful labor force. In this regard, most Arab countries have implemented significant reforms, including: improvement of the investment climate, trade liberalization, promotion of small enterprises, and protection of property rights. We recognize that there is still a need for further reform to enhance economic growth in order to absorb the rising labor force in the region and to further diversify the region's sources of income. We are, in indeed, proceeding in this direction.
13. We note the various initiatives and programs launched by international and regional organizations and groupings in support of reforms in our region. Of particular importance are the International Finance Corporation's Private Enterprise Partnership Facility (PEP-MENA), the Euro-Mediterranean Partnership and Investment Initiative, and the Task Force for Developing Investment in Cooperation with Arab Businessmen and their Counterparts in Industrial Countries. We expect the Bank and IMF to support successful implementation of such initiatives and projects.
14. We applaud the Bank's initiative to streamline and simplify its lending procedures, which will have positive impact on reducing the cost of doing business. We are confident that the Bank's increasing reliance on countries' rules and procedures with regard to project implementation will have a positive impact on the level and quality of Bank's operations in Arab countries. However, we urge the World Bank's management to continue to explore other innovative ways to reduce the cost of doing business.

15. We welcome last year's pickup of activity in our region, and we also welcome its new strategy to increase its business in our region. However, we believe that this institution's involvement in the region is still shy of the level required to promote small- and medium- size enterprises and to attract foreign direct investment. It is our hope that new initiatives will help address some of these vulnerabilities. We also urge IFC to give particular attention to public-private partnership projects in infrastructure, local currency lending, and the creation of equity funds.
16. We see regional integration as essential to fostering regional trade, sharing best practices, and harmonizing approaches and strategies. In this regard, we welcome the achievements made in the Pan-Arab Free Trade Area, which came into effect at the beginning of this year. It is our hope that the World Bank will develop appropriate mechanisms and instruments to finance regional integration programs and enhance our regional institutions' capacity. We also call for further cooperation and coordination between international and regional institutions and funds operating in the Arab region, notably in activities that foster regional integration. In this regard, we welcome the IMF's support for the Trade Facilitation Seminar in the Maghreb Region, to be held in Algiers in November 2005.
17. We commend the valuable assistance that the Bank and the Fund have provided as part of Iraq's economic stability and reconstruction efforts, and we urge both institutions as well as other donors to continue such efforts and doubling their contributions. The active role of our two institutions in Palestine has also been commendable and we look forward to heightened efforts to alleviate the dire conditions of the Palestinian people living under occupation. We also call for utilizing the opportunity afforded by the current favorable conditions, especially after the Israeli withdrawal from Gaza Strip, to revive the peace process and end Israeli occupation of the occupied Palestinian territories, till the establishment of an independent Palestinian state. We also welcome the Bank and the Fund's re-engagement with the Sudan and consideration of future re-engagement with Somalia.
18. We reiterate our urgent call for the Fund and the Bank to ensure sufficient representation of nationals from our region at all levels of both Institutions, particularly at the senior management level, as the current ratio remains very low compared to ratios of other regions.
19. In conclusion, Mr. Chairman, we extend our deepest gratitude for your chairmanship of the annual meetings this year, and we look forward to greater cooperation and involvement between Arab countries of our region and Bretton Woods Institutions with a view to accelerating economic development in our countries and to assist developing countries in their efforts to meet MDGs.