

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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Statement by the Hon. **IBRAHIM A. AL-ASSAF**,
Governor of the Bank and the Fund for **SAUDI ARABIA**,
at the Joint Annual Discussion

**Statement by the Hon. Ibrahim A. Al-Assaf,
Governor of the Bank and the Fund for Saudi Arabia,
at the Joint Annual Discussion**

Mr. Chairman,

Your Excellencies the Governors,

Ladies and Gentlemen,

I am honored to deliver the joint Arab speech this year on behalf of my colleagues, the Governors of the Arab Group in the International Monetary Fund and World Bank. I would first like to welcome Mr. Robert Zoellick, the President of the World Bank, and Mr. Dominique Strauss-Kahn, the IMF Managing Director. I would like to express our deep gratitude to Mr. Rodrigo de Rato for his wise leadership of the Fund during the most recent period. We wish him success in his future endeavors. The coming period will see new leadership in both institutions. We are prepared to put forth the support and effort needed to assist the executive boards of both institutions in achieving their goals.

During the past year, the global economy has seen a recovery, testifying to its resilience. However, new challenges are now being posed by the recent turbulence in the financial markets, the credit pressures affecting the American real-estate market, and the potential effect of such pressures on developing countries. These challenges require greater efforts by the major countries to correct imbalances and maintain stability.

Nonetheless, most of the developing countries have seen record capital flows. This is reassuring, as these flows present opportunities to support long-term growth. However, they also pose major, short-term economic challenges. The concerned countries must adopt realistic policies for dealing with these flows, particularly sound fiscal policies, and must strengthen prudential standards.

In this context, the countries of the Arab region have seen high growth during the past year, with average growth expected to exceed 6 percent in 2006 and to continue at this rate in 2007. Factors contributing to this growth include sound fiscal policies, structural reforms, and the Arab governments' desire to bolster economic integration among the Arab countries. The Greater Arab Free Trade Area began operating in 2005. Discussions are currently being held to establish an Arab customs union and to liberalize the services trade among the Arab countries. The countries of the Cooperation Council for the Arab

States of the Gulf have completed the requirements for establishing a common market this year. In another development, the Arab oil exporting countries—cognizant of the importance of oil price stability and meeting the global economy's energy needs—have increased their output and cooperation with consumers. However, oil demand has not risen sufficiently to justify the recent price increase. Responsibility for the increase also lies with political tensions, speculation, and the shortage of refinery capacity.

The International Monetary Fund plays a primary role in maintaining the stability of global financial and money markets. This role is particularly important in view of the risks posed by the current credit crisis to the global economy. In this regard, we commend the international monetary policy measures taken. They have had an appreciable effect in lessening the gravity of the crisis.

Concerning emerging economies, we encourage the Fund to study a new mechanism for providing quick financing to such economies, if needed. Regarding the sovereign funds, we urge the Fund and other agencies to seek to deal with this subject prudently. We also underscore the need for the Fund to maintain its activity as stipulated in its Articles of Agreement. To enhance the Fund's role, it is important to increase the developing countries' voting power and role in decisionmaking.

Concerning development and poverty-reduction efforts in the developing countries, global economic developments and reform policies in the developing countries have helped bring about tangible development and poverty-reduction accomplishments. However, major challenges still face the international community, particularly the slow rate at which the Millennium Development Goals are being achieved in a number of Arab and African countries, and the concentration of financial flows in a limited number of countries. Official assistance has stagnated, and there is uncertainty about the main donor countries' commitments to the debt-relief programs and financing for the 15th replenishment of the International Development Association's resources.

These challenges place substantial burdens on the international community, especially the World Bank Group. To meet these challenges, we look to the discussions being held to reformulate the World Bank's strategy. We hope this strategy will focus on the development of the real economy sectors to meet the needs of medium-income member countries in particular, as they are home to more than 70 percent of the poor. It is especially necessary to maintain the World Bank Group's constants, which focus primarily on providing the necessary financing and knowledge transfers. These challenges and aspirations require strengthening the long-term financial capacity of World Bank institutions. In this regard, we would like to express our gratitude to Mr. Zoellick's for recognizing the importance of the Arab region and making it a priority region for the expansion of World Bank activity.

It is important to achieve positive results in the negotiations on the 15th replenishment of IDA resources, including compensation of the Association for the burdens it has assumed under the Multilateral Debt Relief Initiative. The Arab countries attach importance to international economic and development conditions. Therefore, the donor countries and regional development institutions in our region have undertaken to provide major assistance to the developing countries and to increase Arab private investment in a number of such countries. In this regard, we call for strengthening cooperation among regional development institutions, the Fund, and the World Bank through joint activities and programs, especially programs designed to support economic reform efforts and achieve sustainable development goals in our region.

Regarding the multilateral trade negotiations, it is important to achieve positive results in the Doha round, which has reached a critical stage. We are disappointed by the stalled negotiations and look forward to positive results once the negotiations resume. We call on the concerned parties to make greater efforts to complete this task. In particular, we call on the advanced countries to show greater flexibility regarding the elimination of subsidies for producers and exporters and the provision of greater assistance for developing the production capacities and infrastructure of the developing countries to help them benefit from trade opportunities.

We also advocate greater concern for countries that are facing difficulties, suffering from the effects of conflicts, and experiencing a shortage of the resources needed to promote economic and social development. Such countries are home to a third of the world's poor, and their negative conditions have regional and global effects. We commend the World Bank Group for its concern and its policy in this connection. We call for promoting this policy and for greater flexibility on the part of the World Bank and the Fund in providing the necessary resources, including debt relief, to these countries.

Here, we refer especially to the worsening of the Palestinian people's suffering under the occupation and besiegement. We also point to the urgent, pressing need for: international assistance for Lebanon, whose economy and infrastructure have been subjected to extensive destruction by the war launched against it; support for the reconstruction of Iraq; and efforts to enable Sudan and Somalia to rebuild their economies.

In conclusion, we note the paucity of IMF and World Bank officials from the Arab countries compared to other geographic regions. We thus repeat our urgent call for the Fund and World Bank to employ more citizens from the Arab countries.