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**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. **MOHAMMAD AL-HUSSEIN**,  
Governor of the Fund for the **SYRIAN ARAB REPUBLIC**,  
on Behalf of the Arab Governors,  
at the Joint Annual Discussion



**Statement by the Hon. Mohammad Al-Hussein,  
Governor of the Fund for the Syrian Arab Republic,  
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**Mr. Chairman,**

1. It gives me pleasure to deliver this year's joint Arab speech on behalf of the IMF and World Bank Arab governors. At the outset, I would like to thank the Government of the Republic of Turkey on behalf of the Arab Group for hosting these Meetings and for ensuring their success. I would also like to commend the efforts of our two institutions in addressing the exceptional challenges of the global financial and economic crisis.
2. The global financial and economic crisis which originated in the developed countries continues to affect the developing countries through various channels, including lower commodity prices, sharp export contraction, reduced workers' remittances and capital inflows, as well as a subsequent decline in growth rates and increasing unemployment. At the same time, many developing countries still face mounting difficulties in accessing funds, with potential spillovers to developed economies. Undoubtedly, the Arab economies have been hit by the crisis as have the other developing countries, albeit relatively less severely.
3. While welcoming the projections indicating signs of global economic recovery from the worst recession since the 1930s, thanks to exceptional public support and central bank measures, we note the uneven pattern and expected slow pace of recovery. Tightened bank lending and prolonged retrenchment of foreign funds are expected to persist. The global recession is not yet over, and the financial systems remain weak and unable to support the economy. Moreover, public support will decline over time, and domestic demand is expected to be subdued in the countries affected by lower asset prices as households strive to revert to saving at a time of income reduction due to higher unemployment.
4. Therefore, we stress the need for the developed countries to continue to maintain policies that are aimed at stimulating domestic demand, restoring confidence in the financial system, and addressing weaknesses in financial market regulation. We call for the concerted and accelerated fulfillment of the international

- commitments made by the G-20. In this context, we welcome the discussion of the global economic and financial issues in the G-20 instead of the G-7 because of the inclusion of developing countries in the former. The responsibility for addressing the consequences of the crisis should mainly lie with the developed countries whose systems and policies, particularly in the financial and banking sectors, were the source of the crisis. This should be done in a way which minimizes the impact on the developing countries and reduces the likelihood of future recurrence. We believe that restoring financial sector health, including continued management of nonperforming assets and promotion of credit which has already declined despite the significant turnaround in solvency ratios. Financial supervision and regulation should be strengthened and the decisions of the Basel Committee and the G-20 should be implemented to ensure financial market stability and avoid a repeat of the crisis. In general, we stress the need to strike a balance between short-term measures aimed at supporting the financial system and the long-term objectives of providing better incentives and introducing more market discipline. We also believe that supportive macroeconomic policies should be pursued, while paving the way for an orderly withdrawal of public sector intervention which has already reached unprecedented levels. We call upon all countries to resist protectionist measures in trade, investment, and labor services, and underscore the importance of bringing the Doha Round of trade negotiations to a successful conclusion to ensure positive outcomes in cushioning the impact of the crisis on the developing countries.
5. We also note, in particular, the pledges made to assist the developing countries which have received significantly lower resource inflows which has caused a decline in growth and deeper poverty. Supporting the developing countries will certainly help restore economic and trade activity in those countries, promoting growth in the global economy. In this respect, we look forward to a follow-up by our colleagues in both the Development Committee and the International Monetary and Financial Committee of those commitments, especially as the consequences of the crisis for many developing countries may not recede in the foreseeable future.
  6. Our oil-exporting countries have had an essential contribution to the stability of international energy markets at a high cost to the countries which have maintained excess capacity. Therefore, we expect a fair treatment of oil vis-à-vis other sources of energy, particularly in the Copenhagen Climate Change discussions and other similar fora.

7. I now turn to the developments in our Arab region which has not been spared by the financial and economic crisis. Growth is expected to slow down in the region compared to 2008 before it picks up again in 2010. But the impact of the shock on our region, in comparison with the other regions, has been cushioned by strong economic fundamentals; prudent economic and financial management; overall financial sector strength; appropriate measures and policies; adequate foreign exchange reserves, particularly in oil exporting countries; and the positive role assumed by regional institutions.
8. The crisis has affected the oil exporting countries in our region through a decline in oil revenues and tightened credit conditions. Nevertheless, the oil exporting countries have maintained high levels of government spending, creating a strong incentive for domestic and international demand, which may help mitigate the implications of the global slowdown for neighboring economies with which they have strong economic ties, including through continued availability of job opportunities and more workers' remittances.
9. For the oil-importing countries, the impact has been reflected in lower economic growth rates; higher budget deficits; and reduced exports, foreign direct investment, tourism receipts and workers' remittances.
10. In this context, we would like to note the decisions and conclusions of the Economic and Social Development Summit held in Kuwait early this year, which highlighted the efforts of the Arab countries and the attention they give to improving the investment climate, upgrading the infrastructure, and increasing the opportunities for integration into the global economy. The large spillovers of the financial and economic crisis have generated emergency measures in the Arab countries whose financial systems are integrated into global markets. Governments and central banks intervened to stabilize interbank markets, provide liquidity, and support commercial banks, with a view to offsetting the impact of lower asset prices and tight liquidity.
11. In the area of economic policy, the aim is to maintain the pre-crisis levels of public spending in support of demand in countries with moderate debt levels. The Arab countries are also pursuing accommodative monetary policies given the subdued inflationary pressures, in order to support investment and growth. The countries in our region are determined to strengthen their policies to protect the poor and the most vulnerable segments of the population at this time of economic slowdown and increasing unemployment.

12. We recognize the need for further reforms in the Arab economies, particularly in improving the investment climate, liberalizing trade, and boosting economic growth. The main challenge still remaining is to support job creation to meet the needs of a growing and young workforce. In this respect, we look forward to intensified support by our two international institutions for the ongoing reform efforts in our countries.
13. We support the role of the IMF in achieving global monetary and financial stability, particularly in light of the impact of the current financial crisis on the global economy. We also welcome the Fund's overhaul of its lending framework, including the streamlined loan conditionality and the increased loan resources to help member countries overcome the crisis. We believe that the Flexible Credit Line introduced by the Fund is a useful addition to its toolkit, and feel encouraged by the interest expressed so far in this tool. With respect to low-income countries, we welcome the support provided by the Fund to those countries through an unprecedented increase in concessional loans, comprehensive reform of Fund lending instruments, particularly in terms of its response to country needs for short-term emergency support, and an exceptional zero-interest rates on outstanding loans through 2011.
14. We also welcome the new loan resources provided to the Fund to enhance its capacity to support member countries and increase global liquidity. In particular, we welcome the SDR allocation to member countries in the context of a general distribution equivalent to \$250 billion in order to inject liquidity into the global economic system by boosting countries' foreign exchange reserves.
15. To enhance the role of the Fund, developing and emerging countries should have a clear role and a heard voice. We stress that Fund efficiency and legitimacy critically depend on bold steps to be taken in this respect. We welcome the commitment to accelerate the agreed quota reform for completion by early 2011, and believe it should ultimately lead to a shift over time to a system of equal distribution of voting power between developed and developing countries by increasing the voting power of developing countries as a group without diluting the share of any individual country.
16. We reiterate our call for an enhanced surveillance mandate for the Fund through equal treatment of member countries and more effective surveillance over systemically important countries, as well as international capital flows and

financial markets. We also reiterate our request for a review of the decision to charge for Fund technical assistance, as it could hamper developing countries' access to critically needed support.

17. With respect to the role of the World Bank Group, we welcome the measures it has taken to address the impact of the financial and economic crisis on developing countries, particularly the large expansion of loans, credits, and efforts to limit the impact on the private sector. We call for boosting the Bank Group resources and developing medium-term plans to strengthen growth and reduce poverty. The Bank Group implemented sound policies with a focus on protecting the most vulnerable to the global crisis, developing long-term programs for investment in infrastructure, and continuing support for the role of the private sector in development. We particularly commend the doubling of World Bank lending, and the enhancement of IFC's investments and MIGA's ability to meet the increasing demand on its guarantees. The deep implications of the global crisis on developing countries' opportunities for development and poverty reduction require more ambitious programs to meet the urgent needs of low-and-middle-income countries.
18. We attach particular importance to the need for maintaining the solid financial position of the World Bank Group to enable it to meet the increased demand on its resources, especially in view of the significant decline in flows from financial markets. In this respect, we welcome efforts made by World Bank Group Board of Executive Directors to address a possible stress on the financial position. We note the decisions taken by the Board in respect of lending rates and its consideration of possibility reasonable increases in World Bank capital. We call for a fair burden share in strengthening the financial capacity of the World Bank Group. This should not be at the expense of borrower countries already suffering from the current circumstances.
19. The Arab countries –along with all developing countries– look forward to increased support from the World Bank Group in various areas. Conditions in the countries of our region are diverse. Some are facing difficult circumstances and stubborn challenges, which calls for special attention to their needs while strengthening efforts for regional activities. This requires the World Bank management to devise creative solutions in order to enable achievement of meaningful progress. Therefore, we call for providing the MENA regional vice presidency with the needed financial resources and for strengthening its human resource capacity by recruiting highly qualified professionals. We appreciate the

achievements made so far in the areas of lending, technical assistance, and investments in the private sector. We look forward to the wider activation of the Arab World Initiative which was launched by the World Bank Group President, which requires clear objectives, regular monitoring, and compliance with World Bank rules on the exclusion of all political considerations in extending assistance. Areas in need of further efforts include tackling the problems of water scarcity and desertification in all our countries, and supporting the private sector by taking advantage of the ample opportunities created by these countries' investments which have expanded under the south/south cooperation established within and outside the region.

20. We call for increased attention to the Arab countries in conflict situations, and recommend greater flexibility in dealing with such countries. We call for continued effective IMF and World Bank support for the Palestinian people to cope with the adverse impact of the economic blockade imposed on Palestine as well as support for the accession of Palestine to IMF and World Bank membership. We also call for continued assistance in the reconstruction of Iraq, a renewed involvement with Somalia, and debt relief for the Sudan. Development and stability in those countries will undoubtedly be beneficial both regionally and globally.
21. The global financial crisis has again underscored the need for close cooperation among all international groupings in order to address existing challenges, thereby contributing to progress in enhancing the participation of developing country in decision making. Progress in this respect is still limited despite the lapse of several years since this principle was adopted at the Monterrey Summit. It is time for the developed countries to have the political will to make the necessary changes in a manner that is conducive to a stronger position for the developing countries in the Bretton Woods institutions. We particularly call for an accelerated process to come up with a specific format which does not dilute the position of any developing country, and look forward to the present discussions in the Development Committee, including the representation of developing countries in the management of both institutions - an area where Arab countries are the most underrepresented.

**Mr. Chairman,**

22. We reiterate our persistent call on the IMF and the World Bank to recruit and appoint appropriate numbers of Arab country nationals in all levels of management, particularly the high levels of management. It is important to provide Arab country nationals with appropriate opportunities for advancement. Current opportunities for recruitment and appointment and career advancement are much lower than other regions, particularly after a substantial reduction of Arab staff in the context of last year's IMF reorganization.
23. In conclusion, Mr. Chairman, the Arab countries and their institutions maintained close cooperation with the IMF and World Bank Group over the past decades, and we look forward to further cooperation in facing the new challenges.

**May God's peace be with you**