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Statement by the Hon. **BAKER J. AL-ZUBAIDY**,
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on Behalf of the Arab Governors

Arab Group Speech

by HE Iraq's Finance Minister

Mr. Baker J. Al-Zubaidy

on Behalf of Arab Governors at the 2010 IMF and WB Annual Meetings

(Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen)

It is a great pleasure for me to deliver this year's Arab Group's joint speech on behalf of Arab Group Governors at the International Monetary Fund (IMF) and World Bank (WB) Annual Meetings.

As you know, the global financial and economic crisis had negative impacts in 2009 on our Arab region which manifested themselves in the decline of growth rates. However, recovery is underway in the region as growth rates improved this year and are expected to continue improving in 2011 and 2012, despite some signs of deterioration in the international environment.

This crisis and its consequences such as the European debt crisis and the deterioration of Euro exchange rates had wide ranging impacts on the economies of our region. These impacts varied depending on the initial conditions prevalent at the outset of the crisis, the basic sources, as well as, means through which the crisis impacts affected our region's economies such as: the financial sector, oil prices, and balances of payments. Such impacts projected themselves on: trade flows, direct foreign investments, and remittances from Arab expatriates. However, the credibility of policies adopted and availability of large amounts of accumulated reserves in addition to other assets enabled countries in the region to respond quickly through stimulus packages and programs at the monetary and financial policy levels. This helped to strengthen the speed of recovery and growth.

We fully realize that enhancing economic growth with a view to creating job opportunities requires acceleration of reform steps in our countries, particularly, the improvement of investment climate and trade liberalization. In this context, we would like to emphasize the commitment of our Arab countries to continue economic and financial reforms and to enhance opportunities for integration into the global economy.

Moreover, we would like to note the positive role played by sovereign funds in enhancing global financial stability, as well as, the measures recently taken by Arab funds to enhance transparency in accordance with the latest international directions and principles.

International Monetary Fund

Facilities Provided by IMF: The Arab Group welcomes the effective role played by IMF to achieve global monetary and financial stability, particularly the quick response to member-country needs in light of the impacts of the global financial crisis. Moreover, our Group values efforts and resolutions aimed at enhancing and upgrading credit facilities provided by IMF, including prudential facilities characterized by the flexibility needed to meet member-country needs in avoiding crises. In this respect, the Group stresses the need for full equality among member countries in benefitting from all IMF facilities including the new ones.

IMF Oversight: The Arab Group reiterates the call for IMF to enhance effective oversight of developed countries and financial centers that influence the global economy and financial system. Moreover, the Arab Group reiterates its request for reviewing the decision to charge fees for technical support provided by IMF. That decision was temporarily suspended in 2009. Such fees may deny developing countries the technical assistance they need.

World Bank Group (WBG)

Activities of World Bank and its Institutions: the Arab Group welcomes the active role played by the WB over the past year as well as its quick and effective response to developing country needs, be it at the level of scaling up financial support through loans and credits or the provision of guarantees and technical assistance to member countries, including the private sector. Consequently, we appreciate the measures taken this year to ensure continued WB ability to meet developing countries' needs, including agreement to implement a general capital increase. However, this does not prevent concerns that such measures might have been unbalanced, particularly in respect of funding allocations of a number of developing countries still in need of World Bank financial support. Furthermore, we highlight the need for a continued focus on the Bank's important role in growth enhancement and poverty reduction.

Our Arab countries welcome the adoption by the WB Board of Directors of the Post Crisis Directions in the wake of the economic crisis, which emphasizes the priority of poverty reduction in developing and least developed countries in the medium term, as well as, helping such countries to attain the Millennium Development Goals (MDGs) in the area of social development, among others. Moreover, we call on the WBG to continue according priority to supporting growth, particularly pro job growth whether through financial assistance and guarantees for public and private sectors or focusing on institutional support as well as technical assistance. We also stress the need for the WB to

maintain the pace of engagement with middle income countries, especially, those facing challenges in poverty rates, infrastructure and services.

As far as the overall needs of our Arab countries are concerned, we reiterate the need for continued contributions by all WB institutions in facing the sectoral challenges related to water resources and power, providing additional energy sources, especially, in countries suffering from energy shortages and those most impacted by drought and desertification problems. We also call on the WB to participate in projects designed to improve investment infrastructure and support the private sector, particularly small and medium enterprises. We also emphasize the WBG's role in expanding investment cooperation aspects for countries of the region - inside and outside the region – especially in the context of cooperation between developing countries or the so-called south/south cooperation. We also emphasize the need for the WB to finance projects designed to provide social services to residents, particularly those contributing to acceleration of meeting Millennium Development Goals (MDGs) obligations by our countries.

Arab World Initiative: In this respect, we welcome again the Arab World Initiative announced by the WB President among the six themes he adopted upon assuming his position. Yet, we see little tangible and clear progress due to the need for more clarity in the focus and the obvious the lack of an implementation mechanism during the period since that announcement. Accordingly, we would like to request the following, for discussions during the upcoming Spring Meetings:

- A comprehensive proposal on the AWI that includes well defined development objectives, the various elements of the plan, their inter-linkages, as well as, clearly elaborated expected results.
- A time bound implementation plan,
- An estimate of the additional financial and human resources needed and eventual allocation of these resources,
- Identification of the department that will be responsible and accountable for implementing the AWI,
- Clearly defined results framework and monitoring and evaluation mechanism with regular reporting.

The economic and strategic importance of the Arab region makes it an inevitable necessity to implement the Arab World Initiative not only for the Arab World but beyond it. Consequently, we stress the importance of executing the above steps to ensure tangible progress in implementing these projects and programs and to prevent the initiative from staying captive of a theoretical framework outside the realm of implementation. Our Arab group stresses the importance of according appropriate priority to supporting economic and financial integration among Arab countries. The purpose is to take advantage of opportunities that crises may give rise to, particularly in the areas of achieving

sufficiency and food security. In this connection, we call on WB to adopt development as well as bilateral and regional integration projects, especially in the areas of agriculture and trade as well as infrastructure projects that need to be accorded necessary priority.

We also stress the importance of not excluding any Arab country from benefitting from WB projects and activities, international initiatives undertaken through the WB, whether in the framework of the Arab World Initiative or loans and technical assistance. We note that currently a number of countries in our region are excluded from receiving WB commitments and financial aid.

Human Resource Development in the Arab Region

Our Arab group stresses the importance of human resource development and cadre qualifying as a major priority for the countries in our region. We call upon IMF and WB to give more importance to programs for training and qualifying Arab cadres in the framework of cooperation and active partnership with Arab institutions concerned as well as research and training centers in the region. The purpose will be to maximize benefits and share experiences at all levels.

Millennium Development Goals

The global financial crisis led to a slowdown of progress made towards meeting the Millennium Development Goals, including through direct impact of economic recession and the constraints imposed on financial assistance flows to the private sector. Therefore, we believe that there is a need to double the efforts put forth and the need for an action plan for attaining the MDGs. In this context, we emphasize commitments by our countries to attain MDGs, as well as, the importance of enhancing country ownership of development plans and local capacity to attain the MDGs by 2015. We also stress the need for efforts to improve quality of statistics in order to facilitate monitoring of progress towards attainment of all MDGs.

IMF and WB Governance

We attentively followed the discussions about ongoing reforms to restructure member-country voting rights in order to reach a more equitable representation and voting power for developing and the least developed countries in both IMF and WB. The Arab group is of the view that improving the IMF governance structure is decisively based on restructuring member-country voting quotas, as IMF's effectiveness and legitimacy require enhancement of developing country participation in IMF decision-making. Moreover, the Arab group is closely monitors ongoing discussions on this subject and calls for more fundamental steps to address imbalances in representation and voice. In

this regard, the Arab group stresses that the basic goal of reform should be to transfer no less than 5 percent of total votes from developed to developing country voting rights without weakening the share of any developing country. The Group also stresses the need for - and importance of - enhancing representation of developing countries in the IMF Board of Executive Directors, particularly through increasing the number of chairs allocated to developing countries.

Further, the Group stresses the importance of effective participation at the level of ministers or central bank governors in the meetings of the International Monetary and Financial Committee. Nevertheless, the Group is opposed to any initiative that may lead to a decreased number of IMF executive directors or the weakening of IMF Executive Board, as this may lead to weakening of IMF itself. In this regard, the Arab Group is of the view that establishing an international monetary and financial council may harm representation of developing countries and accountability of IMF management as well as effectiveness of IMF Board of Executive Directors. The Arab group would like to bring to attention the fact that this proposal (like the previous proposal to establish a ministerial council) met with very limited support. Consequently, the Group is concerned that efforts are still being made to reconsider such a proposal. The Group stresses the need for continued efforts to revitalize the International Monetary and Financial Committee and to enhance its modus operandi.

Concerning the WB, we are of the view that the consensus - reached during Developing Committee meetings last April dedicated to addressing imbalances in representation and voice for developing and least developed countries - represents the minimum that our Arab countries merit. Accordingly, we call for taking further steps to address such imbalances and call again for reviewing shares and representation of Arab countries. In another context, the Group reiterates the call for selecting IMF director and WB president as well as members of senior management in both institutions – as of the next recruitment cycle - on the basis of transparent and publicized principles based on competition and qualifications and regardless of nationality.

Arab Nationals in IMF and WB Staff

We call on IMF and WB to address obvious under-representation of Arab country nationals in IMF and WB staff and to enhance and intensify such participation. We call for equitable representation of Arab countries at senior levels in IMF and all positions in both IMF and WB and ask that concerted efforts are exerted to address this issue. This will enhance Arab country participation in the decision making process of the two institutions as in the case of other countries. We would like to take advantage of this opportunity to express appreciation to WB Board of Directors for appointing His Excellency Dr. Mahmoud Mohieldin as Managing Director at the WB.

Importance of IMF and WB Assistance to Conflict Affected Arab Countries

Our Group calls for increased attention to conflict affected Arab countries, and we recommend flexibility in dealing with these countries: Palestine, the Sudan, Yemen, Iraq, Somalia, etc. Moreover, we reiterate our call for an effective IMF and WB support to Palestine and for allocating additional resources needed to address the negative impact of economic blockade imposed on the Palestinian people, as well as, Palestine's membership in the IMF and the WB. We also call on international organizations to take all necessary measures to support the development of the economic system and poverty alleviation in Palestine. In another context, we stress the need for application of equal treatment among countries by including the Sudan in the Heavily Indebted Poor Countries initiative to enable it to benefit from debt relief. We emphasize our support for any action to be initiated by WB or IMF in this connection.

In conclusion, Arab countries and their institutions look forward to enhanced close cooperation with IMF and WBG.