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Statement by the Hon. **YOUSEF HUSSAIN KAMAL**,
Governor of the Fund and the Bank for **QATAR**,
on Behalf of the Arab Governors

Joint Arab Speech

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on behalf of Arab Governors**

The International Monetary Fund and the World Bank 2012 Annual Meetings

Mr. Chairman, Ladies and Gentlemen

1. It is my great honor to speak to this assembly on behalf of all my colleagues in the Arab world—a region that comprises 22 countries and which has been commanding a great deal of global attention recently.
2. Before I start, let me first welcome Dr. Kim, the new President of the World Bank Group. My colleagues and I wish him success in his mission and look forward to working closely with him and his team in the coming years.

Mr. Chairman, Ladies and Gentlemen

3. Over the past few decades, the Arab countries have faced great challenges, and have achieved remarkable successes in key economic and social indicators, including many of the Millennium Development Goals. From near universal access to education and health care, to substantial progress in poverty reduction, gender equity, and access to economic opportunity.
4. Arab oil-exporting countries are playing a systemic role in the global oil market. These countries have ensured adequate oil supply and helped stabilize the global oil market that has benefitted both consumers and producers. A number of Arab countries provide important contribution to the regional and global economies through remittances, which are important sources of income for many emerging market and developing countries. In addition, a number of Arab countries continue to do their part in providing substantial assistance at the regional and international level, whether bilaterally or through the regional and international organizations.
5. We are acutely aware, however, that much remains to be done to meet the challenges we face in the region and to reach the goals we have set. From deepening economic and social policy reforms, to greater economic integration and cooperation, and from diversifying our economic base, enhancing our food, energy and water security, reforming our education systems to meeting the demands of the future, the challenges of a changing climate, and creating good jobs especially for our youths.
6. At the same time, we remain confident that our peoples will meet the challenges and rise to the task. As recent historic developments in the Arab world have proven once again, this is a region that is dynamic and transforming and reforming itself from within. And while its transition is predicated on the priorities and the demands of its peoples, it is also a region that is

open to the world and seeks both to contribute to its prosperity and stability and to learn from its experiences. Some of our countries are undergoing transition and face the challenges of rebuilding institutions, redefining priorities and moving the development process forward.

7. It is now that we need the help of our global partners. In helping our countries to do that, the Bretton Woods Institutions (BWIs) need to take a “business unusual” approach and be ready to go the extra mile at short notice and in demonstrating more flexibility with regards to the conditions placed on the Arab countries by the IMF.

8. The World Bank Group and the Fund have an important role in promoting and deepening the reform efforts in the Arab region through policy advice, financial support where needed, and adequate and timely technical assistance. The BWIs should continue to provide well-targeted advice and help us make optimal policy choices to address macroeconomic, private sector development and jobs challenges. They should also accordingly strengthen their analytical work in areas relevant to the region, the top most of which is the challenge of high youth unemployment. Effective targeting of subsidies and better targeting mechanisms are other areas that may require demand-based, country-specific advice. Moreover, Fund-supported programs as well as World Bank financing should demonstrate understanding of the political economy constraints facing countries and pay due regard to domestic priorities. Importantly, the BWIs should provide adequate access levels to support the goal of restoring confidence and help in mobilizing and delivering critical international support, such as under the Deauville Partnership Initiative, to the region now, at a time when the need and potential impact is highest.

9. Several countries in the region undergoing transformation or adopting major reforms also need further economic support and adequate levels of financing to succeed, particularly through the provision of development policy loans to succeed in overcoming transitional challenges while maintaining macroeconomic stability.

Mr. Chairman, Ladies and Gentlemen

10. My colleagues and I would like to stress the importance of broader and deeper coordination and cooperation between our governments and institutions and the IMF and the World Bank Group on the priorities and challenges facing the region and how best to respond to them in a timely manner. In this regard, there are three key issues we wish to emphasize:

11. **First is the issue of Quota and Governance Reform.** An important aspect of reforming governance at the IMF is the ongoing review of the quota formula to ensure it results in fair and equitable representation of all members of the Fund, taking into consideration the multiple roles of quotas. The current formula is deficient in many ways and is the result of compromises that may have been justified by pragmatism but lack fairness. GDP should be retained in the formula, although its weight should be reduced, or its impact attenuated through appropriate compression, to help lower the concentration of voting power. Reserves should also be retained in the formula, while the measures of Openness and Variability need to be improved to avoid unintended biases. Historic and current aid contributions of countries to the global economy and international

development should weigh in too, as should the financial contributions of willing member countries to the Fund's resources, provided that it is not done at the expense of other emerging market and developing countries.

12. We were disappointed that the 2008 and the 2010 quota reforms have resulted in shifts in quotas to what has been referred to as “dynamic emerging market and developing countries”, largely at the expense of other emerging market and developing countries, with little loss to the share of developed economies. The current exercise has to avoid such an outcome if it is to improve the Fund's legitimacy in the eyes of the broad membership. The next shareholding review at the World Bank should follow similar principles.

13. Other aspects of Fund governance, including voting rules, must also be considered. Introducing double majority voting and reducing the 85 percent threshold for special majorities would be a meaningful governance reform that will enhance the voice and representation of smaller shareholders.

14. **Second is the issue of global knowledge.** Leveraging knowledge is critical to help economies grow, create jobs and opportunities, and, above all, fight poverty. The global knowledge available in the BWIs must not only be available through the analytical products—whether included in lending programs, Reimbursable Technical Assistance Programs, or Advisory Services. It must also be accessible, as widely as possible, in real time in Arabic, and produced in collaboration with country-based policymakers, think tanks and academia.

15. We seek to learn from the experiences of our global community, and we ask the IMF and World Bank to respond to these needs by utilizing their convening power to enable these connections. Institutions like the World Bank and IMF can be powerful enablers when they partner with regional institutions and move from centralized, expert-led, linear models to collaborative, open, and networked approaches that connect expertise. The BWIs should create platforms for knowledge, both by taking advantage of new technologies, as well as traditional face-to-face interactions, whether South-South, or South-North. They should operationalize knowledge in their own development and advisory activities and help our countries do the same.

16. **Third is the issue of private sector development.** We see the private sector as the main driver for future growth and the key to realizing the region's potential for robust and sustained job creation, technological innovation, and regional economic integration that are urgently needed. Recent developments in the region have created the momentum, incentives and a conducive policy environment to expand growth and job oriented private sector investment. In this connection, we urge the World Bank Group to enhance decentralization of staff and activities in our region, with the objective of being closer to their clients.

17. We also encourage IFC to start the effective implementation and expand the target countries of the Education for Employment initiative (E4E). In this regard, IFC could invest in employable education, MSMEs, PPPs and corporate governance, in addition to the traditional investments in agribusiness, infrastructure, financial sector and manufacturing. We hope to see

more financial investments and technical engagements by both the IFC and MIGA in promoting the private sector in our region, through direct equity investments, guarantees, loans, and advisory services, especially in large regional infrastructure projects and cross-border programs and initiatives.

18. Beyond these broader issues, we also wish to highlight a few other important issues:

- First, the WBIs' support for the Palestinian Authority is instrumental in encouraging the international community to continue their generous support to the Palestinian people in the face of difficult challenges they face on daily basis. We urge the World Bank Group to expand its programs and financial support to help the Palestinian Authority in building a viable economy.
- Second, we welcome the efforts of the euro-zone in dealing with its debt crisis but remain concerned about its impact on the already weak global economic prospects. We call upon the BWIs to closely monitor potential adverse spillovers that could result from the euro-area crisis and affect our region's economic prospects.
- Third, we support the Fund's role and the recent World Bank's initiatives in the area of Islamic finance. The Bank is well positioned to lead and inform the global dialogue on this rapidly expanding industry and in taking it to the next level of development, and we hope that it will actively support operationalizing Islamic finance in our countries and elsewhere.
- Fourth, we are encouraged by the recent Memorandas of Understandings signed between the World Bank and regional Arab organizations, such as the Arab League. We urge the Bank to deepen its cooperation with Regional Financial Institutions in priority areas such as Human Development, Infrastructure Finance, Private Sector Development, Financial Inclusion, and Sustainable Development. In this connection, closer cooperation on Climate Change would be welcomed, especially as the world gets ready to meet in Qatar next month for COP18.
- Fifth, we consider staff diversity as integral to the World Bank and IMF's credibility with their Arab members and other under-represented countries. We appreciate that the BWIs have taken commendable steps to increase the representation of Arab nationals at the senior managerial levels and also for the launching of a fast track initiative at the Bank to recruit more Arab nationals. However, Arab nationals still remain severely under-represented in both institutions. We therefore urge the managements of the two institutions to step-up efforts to strengthen the recruitment, career progression, and promotion of nationals of our countries at all professional
- Sixth, we would like to support Sudan's right to seek the support of the HIPC initiative, especially since Sudan has met the technical requirements necessary.

Mr. Chairman, Ladies and Gentlemen

The Arab Countries are moving ahead with a positive view and full realization of the development challenges facing our region, as well as the need for collective efforts at finding solutions for our shared challenges. We hope that the World Bank and IMF will remain our leading development partners as we forge ahead at this critical juncture.