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Statement by the Hon. **HISHAM RAMEZ**,
Governor of the Fund for the **ARAB REPUBLIC OF EGYPT**,
on Behalf of the Arab Governors

Joint Arab Group Speech

To be delivered by His Excellency

Mr. Hisham Ramez, Governor of the Central Bank of Egypt

On behalf of Arab Governors

At the Joint IMF and WBG Annual Meetings

October 2015

Mr. Chairman, Ladies and Gentlemen,

1. It gives me great pleasure to address you on behalf of my fellow Arab governors of the International Monetary Fund (IMF) and the World Bank Group (WBG), representing a vibrant region, with rich cultural, economic and political exchanges with the rest of the world.
2. As we meet this week, the world is still recovering from an unprecedented financial crisis that has impacted many large economies, and sent ripple effects across regions. In the Arab region, this crisis coincided with a sweeping tide of political, economic and social developments, representing a valuable opportunity to develop resilient economies, reinforce the principles of equal opportunity and foster sustainable development.
3. A modest recovery is expected to continue in the Arab region as a whole in a context of lower oil prices and continued conflicts in some countries. Risks to the outlook stem from adverse developments in the global economy, including a protracted period of slow growth in the Euro Area, lower growth in some large emerging markets, and spillovers from changes in monetary policies in advanced economies. Other risks include possible renewed episodes of financial market turbulence, which could result from a global re-pricing of sovereign bond markets or sharp and sudden capital outflows from emerging market economies.
4. Against this background, allow me to present our views on issues of relevant importance to the IMF and WBG and identify priorities of cooperation with them.

The IMF and WBG:

5. We are fully aware that, although rising, economic growth rates in our region remain insufficient to make a dent into high unemployment, especially among the youth. Raising economic prospects in a sustainable and inclusive manner requires efforts to maintain macroeconomic and financial stability, complemented by well-tailored and well-sequenced structural reforms. The international financial institutions (IFIs) can play an important role in supporting these efforts, by providing policy advice, adequate technical assistance and concessional financial support, as needed. With regard to financial support, further flexibility in using existing lending instruments is needed, while scaling up efforts to catalyze external financing.
6. We note that the contribution of IFIs to the Arab region is still below what we had hoped for, particularly for Arab countries in transition. Moreover, millions have been displaced throughout our region due to ongoing conflicts and are suffering from a lack of resources and services. Large refugee inflows have severely affected countries like Jordan and Lebanon that do not have the fiscal space to address the security, economic and social impacts, and are categorized as upper middle-income countries that lack access to concessional financing. Concerted efforts by the international community are essential in supporting political and economic stability in these countries. We urge the IMF and WBG to use their convening power to elevate the discussion across all donor forums, calling for a more strategic approach in the mobilization of resources and in considering innovative concessional financing tools and access to trust funds to address economic challenges in conflict affected countries.
7. With regard to capacity building and analytical work in areas of common interest, we stress the importance of further collaboration with the IMF and WBG, on the one hand, and between

these institutions and their Arab counterparts, on the other, with a view to facilitating the implementation of structural reforms in Arab countries to promote higher and inclusive growth.

8. We welcome ongoing efforts by the World Bank Group and the International Monetary Fund (IMF) to facilitate regional integration in our region, through relevant investments and valuable technical and policy assistance. However, more needs to be done to overcome constraints to economic complementarity in general, and trade barriers in particular. We understand the urgent need to roll back non-tariff barriers, encourage privatization, regional financial services, and lower costs associated with cross-border investment and trading. In this context, we urge the IMF and WBG to complement the regional efforts to encourage cross-border investments and promote trade facilitation. This can be achieved through promoting competition, easing entry and licensing restrictions, strengthening and aligning regulatory and business practices and arrangements. Trade could be promoted in selected services sectors in the beginning, main candidate sectors for advanced liberalization include: logistics, transportation, communication, banking and finance. Furthermore, we acknowledge the need to enhance regional infrastructure to enable full regional integration. Vital regional projects in water, energy and transport can be developed bilaterally and trilaterally in the short term, until political and security conditions permit across the whole region. Therefore, we call upon the WBG to assist in identifying a list of transformative regional projects, and lead the efforts, through regional and international platforms, to package the appropriate financing for these projects with various public and private sector investors. Inter-regional cooperation and South-South cooperation notably with Sub Saharan countries will naturally complement this needed regional cooperation prospect.
9. We welcome the recognition of the important role of Islamic finance in supporting financial inclusion and infrastructure development. In this context, we welcome the planned conference on the subject in November 2015 in Kuwait, in collaboration with the IMF-Middle East Center for Economics and Finance. We see scope for further collaboration between the World Bank and the IMF with important players in this area, such as the Islamic Development Bank (IsDB) and the Islamic Financial Services Board.
10. The WBG and IMF's support to the Palestinian National Authority is instrumental in encouraging the international community to continue its support to address the challenges faced by the Palestinian people. We urge them to scale up their cooperation to promote a viable and sustainable Palestinian state and economy. We also underscore the importance of quality analytical work conducted by the IMF and WBG in highlighting obstacles for development in Palestine and ask them to continue such an important work.
11. Given that flexibility and speed are paramount in post-conflict reconstruction efforts, we urge the World Bank to play an active role in supporting the design and implementation of a strategy for recovery and reconstruction in Iraq, Libya, Syria and Yemen. We also call upon the World Bank and IMF to support these countries in addressing macroeconomic and fiscal issues and promoting equitable and sustainable economic development.
12. We are concerned that there has been no progress in addressing the issue of heavy debt burdens in some countries in the region, hence our urgent call for debt relief. The debt distress in Somalia and Sudan is an impediment to economic growth, and in some cases, prevents the provision of basic needs to the most vulnerable groups. We therefore reiterate our call on the

IMF and WBG to provide alternative plans for assisting these countries to address their debt arrears and gain full access to debt relief under the terms of the HIPC Initiative.

13. We call upon the IMF and WBG Management to step up their efforts to increase the recruitment of Arab countries' nationals, especially at the senior level, and support their career progression and promotion. With respect to the IMF, we call on Management to distinguish in its benchmarks and monitoring between "Arab nationals" and "nationals of the MCD region", since the current classification does not allow an adequate assessment of the degree of under-representation of Arab nationals. This effort should be underpinned by clear and time-bound plans and strategies to meet these benchmarks. We will assess progress in this area periodically and will hold the institutions accountable in case it fails to achieve its goals.
14. We would like to seize this opportunity to refer to the positive role that the countries of the Gulf Cooperation Council are playing, not only to support the economies of the region, but the stability and growth of the global economy, whether through bilateral financial aid, regional funds or even through their support to the resources of the International Financial Institutions, including the WBG and IMF. Such help is contributing greatly to reducing burdens and strengthening potentials of economic and fiscal stability across many regions of the world.

The Role of IMF:

15. We call on the IMF to continue strengthening its bilateral and multilateral surveillance work and policy advice aimed at maintaining global financial stability and raising potential growth. We stress the need for policy assessments and recommendations to reflect country-specific circumstances, taking into account political economy considerations and the difficult economic and security challenges facing the region.
16. We welcome the recent decisions aimed at enhancing Low-Income Countries' (LICs) access to Fund financing and see this work as an important part of the IMF's contribution to the Financing for Development agenda. We urge the IMF to participate in these efforts within its mandate and to remain focused on the areas of its core expertise. This includes identifying steps to help countries enhance macro-financial resilience, increase domestic revenue mobilization, address tax evasion and "base erosion and profit-shifting (BEPS)" issues, combat illicit financial flows, tackle infrastructure gaps, enhance capacity building, and promote inclusive growth in developing countries. We are also pleased with the increased attention being given to how better countries in fragile situations can be served, and look forward to further progress in this area.
17. The Fund's primary purpose is to ensure the stability of the international monetary and financial system. It should remain a quota-based institution. It is important to ensure that the institution has sufficient permanent resources to meet its members' needs. The quota reform at the IMF should result in a fair and equitable representation of Arab countries, particularly as the bulk of the shift in quotas of the 2008 and 2010 reforms to some emerging market and developing countries (EMDCs) was at the expense of many other EMDCs, including most Arab countries.
18. It is very unlikely that agreement in the Fund Board on a new quota formula could be reached soon, in view of the very divergent views expressed so far. Therefore, there may be a case for

retaining the current formula without any change in variables for the 15th Review, since it appears to deliver on its objective of increasing calculated shares of EMDCs, as illustrated in the latest quota database update. It would be crucial, however, to ensure protection of LICs' quota shares. Consideration should be given to introducing financial contributions of EMDC and other members willing to support the Fund's resources in allocating quota shares under the 15th Review, while ensuring that this should not come at the expense of other EMDCs. It is also essential that decisions on quota and governance reform remain within the IMF governance bodies, with the role of groups such as the G-20 focused on helping build broad consensus among the IMF membership.

19. We see a role for the IMF in coordinating efforts to deepen the understanding of the potential impact of de-risking on Arab countries, and welcome the planned workshop on the subject in October 2015 in Abu Dhabi together with the Arab Monetary Fund, to address the cost of correspondent bank relationships and the flow of remittances, and in working closely with relevant regional and international partners to provide solutions.

The Role of the WBG:

20. We welcome the new WBG strategy for the region that aims at promoting the provision of public services, strengthening resilience and supporting the recovery and reconstruction of conflict affected countries and countries in transition, while fostering regional integration. We call for scaled-up efforts, expedited implementations and efficient disbursement particularly for projects that support private sector growth, develop infrastructure, and help increased job creation. In this context, we commend the Bank for responding to our calls for an innovative financial mechanism to provide new and additional concessional financial resources to middle income countries coping with mass inflows of refugees.
21. We cannot overemphasize how fundamental the energy sector is to economic growth, human well-being and development. In order to achieve universal energy access for all, we must deploy the full potential of all available energy sources, including renewable energy, while also striving to advance more efficient energy technologies, including carbon capture and storage technologies. Moreover, energy efficiency provides a wide range of benefits, from improving energy security to reducing local air pollution and eradicating energy poverty. There is a scope for the WBG to do more and achieve more on these meaningful areas of development.
22. We underscore the critical role of water for the region's sustainable development. We strongly urge the WBG to support water agenda in the region and strengthen the quality of its portfolio much more quickly, which significantly lags behind the Bank's overall portfolio. We emphasize the importance of promoting a healthy nexus of resources (energy, water and food), with particular attention on enhancing food security, increasing efficiency and fostering urban development.
23. We appreciate the WBG's efforts to increase availability of education in the region. We understand that, in an increasingly knowledge based economy, we must boost investments in training in order to meet the needs of the market, and eventually to empower a stagnant middle class that will be imperative towards achieving enhanced growth and shared prosperity. A vast majority of jobs now require technical grounding, problem solving, and communication skills.

As such, there is a need for vocational training and technical studies which provide specific, hands on education. We call upon the WBG to support this endeavor through policy advice, technical assistance and financial resources, as needed. In this context, we welcome the partnership between the WBG and IsDB on Education for Competitiveness, and look forward to the positive results of this joint work.

24. We appreciate the efforts and open dialogue leading to the agreement on the roadmap for the 2015 shareholding review. We now look forward to further work and agreement on the individual elements of the roadmap, especially the dynamic formula. Our expectation is that this exercise would result in a fair and equitable outcome for all shareholders while recognizing their contributions to the Bank's mission and protecting the voice and representation of developing countries individually and as a group. We are happy to note the consensus on the need to protect the voice of the poorest and smallest states. As regards the issue of a proposed General Capital Increase (GCI) for IBRD and IFC, we believe that this should be seen in the context of the vision for the World Bank Group in the SDGs era, including IDA finances and business model and demand IBRD lending and IFC investments.
25. We take note of the ongoing effort to review and update the World Bank's environmental and social safeguards policies. We appreciate the Bank's commitment on the challenging task of developing a comprehensive, effective and modern Environmental and Social framework (ESF) that addresses stakeholders' demands while respecting national laws of client countries and working within the Bank's Articles of Agreement. We expect the WB to respect countries' values and beliefs, and to refrain from taking positions on controversial issues through the ESF. It is also crucial that the ESF does not preempt or impose new requirements, policies and standards beyond those agreed upon in the UN conventions when addressing issues like climate change and labor. It is clear that, going forward, the ESF will influence the Bank's lending, operations and policies and will increase the burden on Borrower countries. In this case, the Bank will need to deliver the needed capacity building and technical assistance to client countries, especially those with limited capacities such as FCS, while ensuring a balanced burden-sharing between the client country and the Bank. We look forward to the successful outcome of the third round of consultations and the reflection of the borrowers' views.
26. Reaching an international agreement in Addis Ababa on the best approaches to efficiently and ambitiously mobilize the required financing for development is the impetus in the pursuit of the Sustainable Development Goals (SDGs), which are more ambitious, and broader than the Millennium Development Goals. Credible financing commitments, conducive policies and dedicated efforts are essential next steps. While Official Development Assistance (ODA) will be imperative to the achievement of the SDGs, especially to support the poorest and most vulnerable countries, resources need to be mobilized from all possible sources: domestic and international, public and private, including innovative financing mechanisms such as Islamic Finance. It is obvious that the Multilateral Development Banks (MDBs) will have a central role in galvanizing and intermediating the needed financing for development. In this vein, we would like to highlight the following priority areas:
 - The Bank should support client countries with capacity building, technical assistance and policy advice on both domestic resources mobilization and management of public

expenditures. This support needs to be based on individual country circumstances, while being conscious of the necessity to protect the poorest.

- The Bank can help connect, leverage and catalyze private capital to support the achievement of the SDGs, through helping to improve the business environment, enhance access to finance and promote small and medium enterprises (SMEs). The Bank can also help linking local producers to regional and international markets, promoting partnerships and attracting new FDI to the region.
 - It is well known that illicit financial flows out of developing countries are very substantial, reflecting a huge loss of their domestic resources. Curbing these flows should be high on the Bank's agenda as a means of augmenting financing for development. The Bank should lead the advocacy for international commitment and cooperation to stem illicit financial flows at origin, transit and destination points, while facilitating stolen asset recovery.
27. Finally, we understand that fostering economically, environmentally and socially sustainable development requires a strong country-led agenda for sustainable and inclusive growth that is conducive to job-creation and shared prosperity, complemented by sound macroeconomic policies and a robust investment environment. The IMF and WBG have accumulated a wealth of knowledge and expertise in these areas, which can be transferred to the region to effectively support the successful pursuit of sustainable and inclusive growth and development.