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Statement by the Hon. **ALI BIN AHMED AL-KUWARI**,
Governor of the IBRD for **QATAR, ON BEHALF OF THE ARAB GOVERNORS**

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on Behalf of the Arab Governors

Regional Context: Fragility related to Wars and Conflicts

The horrifying war on Gaza and lately on Lebanon has added an additional layer of complexity, with spillovers impacting not just the Palestinian economy but also neighboring countries. In early April, the joint World Bank-UN-EU Interim Damage Assessment estimated the cost of destruction of infrastructure in Gaza at \$18.5 billion (as of January 2024), equivalent to 97% of the Palestinian economy in 2022. The tripartite group is now preparing a Rapid Damage and Needs Assessment which is expected to reveal damage, loss, and needs figures that are multiples of the amount from the interim assessment. Since the indicated estimate, destruction has worsened considerably, and infrastructure reconstruction will require time and resources. The spillovers from the conflict are also disrupting key Red Sea global trade routes, increasing logistical bottlenecks, and shipping costs, exacerbating supply chain vulnerabilities, and further straining regional economies. We call on the international community to explore all options to bring this aggression on Lebanon to an immediate end and foster a lasting peace in the region. We also underscore the need for safe and unhindered humanitarian access to Gaza to mitigate the economic and humanitarian crisis. We appeal to the International Monetary Fund (IMF), the World Bank Group (WBG) and other international partners to prioritize economic assistance, recovery and post-crisis financial support and reconstruction for Gaza and the broader region. To provide commensurate support to the Palestinian people during the current tragic circumstances and considering the overwhelming international political support at the United Nations General Assembly, we urge the IMF and WBG to explore opportunities for granting Palestine full membership in the Bretton-Woods institutions.

Fragility, conflict, and violence (FCV) severely affect people and economies, especially in the Middle East and North Africa (MENA) region, where one in five individuals lives near conflict. This rising instability undermines consumer and business confidence, reducing spending and investment. People in fragile and conflict-affected situations (FCS) face greater deprivation and lag in human capital and infrastructure, with conflicts driving hunger and food insecurity. The intersection of conflict with climate change and pandemics exacerbates these challenges, particularly for women. The IMF and the WBG should both scale up support in FCS while helping countries to address the drivers of fragility as well as spillover effects. Strengthening real-time monitoring, local knowledge, and institutional resilience is essential for rebuilding trust and preventing future crises. Policy interventions in FCS should be context-specific, spatially targeted, and informed by local knowledge. The core of WBG's efforts should focus on bolstering institutional resilience, which in turn strengthens citizens' trust in the state, while balancing emergency support with development interventions. Enhancing staff incentives, country footprint, and partnerships is also key to maximizing impact.

We are also deeply concerned about the conflicts in Sudan, Lebanon, and Yemen, which have resulted in loss of lives and livelihoods as well as displaced millions of people. The

dire economic and humanitarian situation in those countries require urgent regional and international attention and support. We, therefore, emphasize the urgent need for targeted and scaled-up support. Moreover, considering the aggravating economic and humanitarian crisis exacerbated by the devastating earthquake of 2023 in Syria, the consequences of which have never been addressed by the Bretton-Woods institutions, the spillover effects of the current war on Gaza, and the worsening economic dynamics, we urge the IMF and the WBG to actively explore options to support the people of Syria, ending more-than-a-decade long lack of engagement in the country.

Economic Outlook and Regional Performance

Overall, the Arab region's economic performance has remained resilient amidst multiple regional and global shocks, with growth surpassing expectations in 2022. However, growth in the region slowed in 2023 and is projected to recover modestly to 2.8% in 2024 amid external pressures, including from tightening global financial conditions, heightened geopolitical risks, volatile commodity prices, and slow reversal of supply chain disruptions. These challenges are amplified by increased global market risk aversion, weakening demand from key trading partners, and continued monetary tightening in advanced economies.

For oil-exporting countries, strong non-oil activity has been a significant driver of resilience. Economic diversification efforts are yielding positive outcomes, with robust growth in tourism, sports and entertainment industry, financial services, and infrastructure development, underpinned by sustained reform momentum. On the other hand, many oil-importing countries continue to grapple with inflation, currency depreciation, and constrained fiscal space. Some vulnerable economies face rising external debt service, higher borrowing cost, climate change adaptation challenges, and difficult trade-offs between fiscal consolidation and maintaining social spending. These challenges underscore the need for sustained efforts to build more resilient economies with nationally driven and tailored policy approaches.

We acknowledge that achieving sustained economic growth requires addressing structural impediments and embracing long-term reforms. Therefore, we reaffirm our countries' commitment to reforms that promote economic diversification, enhance trade integration, and address global economic challenges. Continued support from the IMF, WBG, and other multilateral institutions will remain essential to navigating these challenges and achieving sustainable and inclusive growth.

IMF Support to Our Countries

Addressing the economic and geopolitical challenges facing Arab countries entails difficult policy trade-offs. For Middle-Income and Low-Income Countries (LICs), maintaining macroeconomic stability and advancing structural reforms are crucial, especially given constrained fiscal space, elevated debt vulnerabilities, limited access to finance and rising balance of payments needs. In this context, we call on the IMF to continue to provide timely and flexible financial support and country specific policy advice, with a strong emphasis on measured and sustainable fiscal consolidation. Strengthening fiscal institutions, particularly through improving medium-term fiscal frameworks, will help balance fiscal adjustment with necessary growth-oriented investments, while safeguarding social safety nets.

IMF's capacity-building and technical assistance, especially in domestic resource mobilization, fiscal and public investment management as well as debt management, remain crucial for building long-term economic resilience. In this context, the Middle East Technical Assistance Center (METAC) and the Kuwait-based IMF Center for Economics and Finance (CEF) play an invaluable role in strengthening local capacity and providing targeted training and technical support. We appreciate the increased capacity development efforts in FY24 and anticipate continued support going forward. In this connection, the recently established IMF's regional office in Riyadh should help deepen engagement and strengthen collaboration between the IMF and the region. We also encourage robust collaboration between the IMF and regional institutions, such as the Arab Monetary Fund and the Arab Fund for Economic & Social Development, to ensure the Fund's support remains responsive to the specific circumstances of our countries.

We welcome the conclusion of the review of the IMF's Charges and Surcharge policy, which approved a comprehensive package of reforms that substantially reduces the cost of borrowing, while safeguarding the IMF's financial capacity to support member countries. We also underscore the importance of enhancing the financial sustainability of the IMF's Poverty Reduction and Growth Trust (PRGT) and ensuring adequate and timely access by eligible countries to the Trust, which remains a cornerstone of the Fund's engagement with Low Income Countries (LICs) in our region and globally. The favorable terms of PRGT financing play a critical role in supporting poverty reduction and helping countries achieve their Sustainable Development Goals. Given the rising needs of LICs amid global uncertainties, we call for ensuring the PRGT sustainability and capacity to effectively perform its role.

The Resilience and Sustainability Trust (RST) is also an important tool for supporting long-term transformational challenges in low- and middle-income countries, and we urge the IMF to expediate work to operationalize the RST mandate on pandemic preparedness and expand its scope to address broader sustainability challenges, including food security and economic diversification. A strong, quota-based, and adequately resourced IMF remains an integral component of the global financial safety net and continues to play a catalytic role in mobilizing funding from other sources. Therefore, we urge that the 16th General Review of Quotas be implemented in a timely manner.

WBG's Evolution Implementation

We note that over the past two years, the WBG has evolved under the updated vision: a world free of poverty on a livable planet. We urge the Bank to continue its work to increase its financing capacity and devise additional and innovative measures to make the WBG bigger and serve its clients more effectively. We emphasize that achieving the goals of the evolution, particularly the Global Challenge Programs (GCPs), will necessitate increasing concessional funds while safeguarding the World Bank Group's AAA ratings. In this context, we highlight the importance of striking a balance between adjustments to IBRD's Loan Pricing and maintaining IDA transfers. Moreover, adjusting IBRD lending terms to the specific country context demands close attention. We support the Bank's recent consideration of reviewing its financing terms, making it more affordable and thus enabling Middle-Income Countries (MICS) to have more access to the much-needed concessional financing.

We appreciate that the six GCPs will build and leverage knowledge through partnerships to facilitate scale, speed, and quality of delivery. In this regard, we call for assigning equal

importance to all six GCPs, easy access to the much-needed affordable financing, and coordinated action among MDBs led by the WBG to operationalize the GCPs according to country-specific national development priorities and financial capabilities.

We welcome the launch of the WBG Academy and encourage the WBG to expand its outreach in client countries while continuing to grow and customize the pipeline of course offerings aimed at building capacity on core and emerging topics in development. As delivering impactful solutions requires both knowledge and finance, reinforced feedback loops between lending and knowledge will be key to strengthening operations and client-focused, outcome-oriented core analytics. Furthermore, we underscore the importance of deepening and sustaining partnerships with international financial institutions, UN specialized agencies, the WTO as well as global, regional, and national knowledge and research institutions.

We also support WBG efforts to enhance and elevate the role of data, which is essential for impactful and evidence-based policymaking in client countries. We encourage the WBG to continue scaling up support for countries' data systems, digital capabilities and tools, including capacity building and training. In addition, we welcome the new World Bank Group Gender Strategy 2024-2030: Accelerating Gender Equality to End Poverty on a Livable Planet. This presents an opportunity to adopt a holistic 'One WBG' approach in addressing the root causes of gender inequality across both the public and private sectors. As we advance this effort, it is crucial that the WBG addresses gender issues strictly through a development-focused lens, in alignment with its mandate and with due respect for national laws.

Debt Vulnerabilities

Rising debt vulnerabilities in many countries remains a concern, particularly in the context of tight global financial conditions. Many countries in the region face elevated debt levels, higher borrowing and debt servicing costs, and limited fiscal space, all of which increase the risk of debt distress. These pressures are particularly acute for fragile states, which face additional challenges related to social and political instability. We, therefore, urge the IMF, WBG, and other multilateral institutions along with other relevant partners to accelerate efforts to enhance the global debt resolution architecture, including advancing the implementation of the G20 Common Framework (CF). We also call for expanding the scope of the CF to cover vulnerable middle-income countries, many of which face rising debt burdens.

The IMF's role in improving public debt transparency, fiscal risk management, and capacity development in debt management remains central to addressing these challenges. We commend the IMF's ongoing work on the Global Sovereign Debt Roundtable to facilitate debt restructuring processes through developing common understanding among stakeholders around key debt restructuring efforts. However, more tangible steps are needed to accelerate debt treatments and ensure timely interventions for countries facing debt distress. Additionally, we urge the IMF to work closely with credit rating agencies to communicate the positive impact of sustainable debt management reforms in vulnerable countries.

Monetary Policy and Financial Sector Reforms

Although global inflation is on a downward path, containing inflation remains a priority for policymakers in the region. To this end, central banks have raised interest rates to maintain price stability, but these measures involve trade-offs, such as increased public debt servicing costs and risks to financial and social stability. In this context, the IMF's technical assistance and policy advice is crucial in helping countries implement appropriate policies amidst the global disinflationary trend and monetary policy shifts, while adapting to emerging financial innovations such as Central Bank Digital Currencies (CBDCs) and cryptocurrency.

We urge the IMF to continue supporting financial sector reforms to bolster financial stability, deepen capital markets, and promote innovation in the rapidly growing fintech sector. While fintech holds great potential to drive financial inclusion and economic diversification, it also brings challenges such as cybersecurity risks and regulatory gaps. The IMF's role in helping member countries develop robust regulatory frameworks, strengthen cross-border payment systems, and advance digital finance will be crucial. Enhancing financial literacy and improving access to finance for underserved populations and small businesses will further contribute to economic growth and social stability.

Structural Reforms and Sustainable Development

Structural reforms to boost economic diversification, enhance labor market participation, and promote inclusive growth remain a priority for the region. Addressing high youth unemployment and further increasing female participation are essential levers for sustainable development. It is also important to continue efforts towards improving governance and business regulations.

We urge the IMF and WBG to continue supporting reforms aimed at job creation, capacity building, economic diversification, export-oriented investments, and sustaining social safety nets. This is critical to ensuring the benefits of growth are widely shared and recovery is inclusive and resilient. Structural reforms promoting digitalization and harnessing technologies such as Artificial Intelligence, with appropriate management of associated risks, will further drive productivity and job creation.

Private Sector

The role of private enterprise and capital has become especially critical in times of rising fiscal constraints and lower flows of foreign direct investments (FDI) across many client countries. However, private capital mobilization (PCM) at the scale needed will require innovative approaches and scalable solutions to broaden sources of financing. Private capital mobilization efforts will have to be appropriately supported by blended finance and use of de-risking instruments, especially in IDA/ FCS. We value the efforts of IFC and MIGA in those directions. We also appreciate the efforts of the Private Sector Investment Lab (PSIL) since summer 2023 to support the WBG in identifying and recommending scalable, practical, and replicable solutions to barriers for PCM in emerging market and development economies (EMDEs).

Given the increased conflicts and their devastating effects on the economies in the region, providing scalable solutions has never been more important. Utilizing private sector investment, bolstered by de-risking strategies, can help alleviate some of the instability concerns ahead. In this light, we welcome the WBG's new Guarantee Platform housed in

MIGA, serving as a one-stop shop that will deliver simplicity, improved access, and faster execution with the aim of boosting annual guarantee issuances to \$20 billion by 2030. However, MIGA should expand its risk tolerance by seeking new ways to confront current challenges, including the introduction of innovative product offerings. In situations where reinsurance options are limited, bilateral support could enhance MIGA's efforts, particularly through mechanisms like shared first loss and risk participation. As MIGA aims to streamline its array of guarantee instruments and develop new ones, there should be an emphasis on products tailored to the unique needs of conflict-affected areas.

We call on both IFC and MIGA to continue to develop new PCM products while improving alignment with the needs of new partners and potential investors. We reiterate our request for IFC to consider substantial blended finance windows aimed at MICs, especially those facing fragility, conflict, displaced and refugee populations. We look forward to the implementation of the WBG's Global Challenge Programs (GCPs) and hope they will receive adequate resources to enable the crowding-in of public and private sector financing that helps countries tackle key global challenges. In addition to these efforts, we encourage WBG to establish robust staff incentives alongside ambitious targets and transparent reporting to increase impactful private capital mobilization.

Enhancing Resilience

Maintaining the stability and affordability of energy supplies remains critical for economic growth and quality of life. Our countries are committed to investing in clean energy technologies and enhancing energy efficiency, in line with our NDCs under the Paris Climate Agreement. It is equally important that the transition towards cleaner energy systems is just, orderly, and takes into account the varying national circumstances and development needs of our countries. We continue to draw attention to the goal of providing universal access to energy based on each country's independent choice of the energy path, allowing the use of all available types of fuel (especially environmentally sustainable ones such as natural gas), energy systems and technological solutions, including carbon capture, utilization, and storage, direct air capture, as well as nature-based solutions that reduce greenhouse gas emissions, such as expansion of tree cover. We support a balanced approach to achieve emission reduction goals, one that accommodates the interests of both energy producers and consumers. We also recognize the need for effective collaboration between multilateral institutions, development partners and regional actors to scale up climate finance and support sustainable development across the region, consistent with the common but differentiated responsibilities principle.

Climate Change:

The global community is falling short of meeting climate goals. The frequency, intensity, and scale of climate change events, particularly in developing countries, are increasing, necessitating urgent action. Recognizing the varying national circumstances, we call for accelerating climate action based on equity and the principle of common but differentiated responsibilities and respective capabilities. Therefore, climate change strategies must prioritize the needs and priorities of developing countries, including protecting biodiversity, conserving natural resources, reducing carbon emissions from agricultural production, preventing desertification, and addressing coastal erosion. In that context, we look forward to seeing faster progress on the operationalization and capitalization of the Loss and Damage Fund. Additionally, it is crucial to scale up the provision and mobilization of new

and additional grant-based, highly concessional finance and non-debt instruments to support developing countries, especially as they transition in a fair and just manner.

IDA

IDA has played a pivotal role in helping IDA clients navigate complex development challenges, even while enduring the impact of regional and global crises. Over the past 60 years, IDA clients have made significant progress, but they still face formidable challenges, including conflicts, climate change, pandemics, rising debt burdens, inflation, and escalating costs of finance. These issues have severely constrained the fiscal space of most IDA countries, hindered equitable growth and pushed more people into extreme poverty. We welcome efforts to simplify IDA21 policy package and its sharper focus on outcomes. It is essential that IDA21 continues to prioritize the key areas set out under IDA20 to ensure sustained progress. Maintaining the country-based engagement model is critical, and IDA should take into consideration countries' capacity to meet policy commitments when shaping the policy package. It is crucial that IDA scale up support for fragile and conflict-affected states (FCS) and small states and ensuring that they are shielded from grant haircuts or any hardening of terms. We are calling for a strong IDA replenishment that would be important in restoring IDA countries' ability to meet the Sustainable Development Goals.

Diversity, Recruitment, and Career Progression of MENA Staff

We strongly reiterate our long-standing call for a significant enhancement in the recruitment, career progression, and promotion of staff from the Middle East and North Africa region at the IMF and WBG. Despite incremental progress, the representation of Arab nationals remains well below acceptable levels, particularly at senior management positions, which is concerning. We urge the IMF and WBG to adopt a more assertive and strategic approach, ensuring clear accountability at managerial levels to meet its diversity targets, with particular focus on equitable opportunities for career progression to senior leadership roles.