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Statement by the Hon. **AWAD AHMED ELGAZ**,
Governor of the Bank for **SUDAN**,
on Behalf of the Arab Governors,
at the Joint Annual Discussion

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Mr. Chairman,

1. It is an honor for me to deliver this year's joint Arab speech on behalf of my colleagues the Group of Arab Governors for the International Monetary Fund (IMF) and the World Bank. We welcome the states that joined our two institutions during the last year.

2. At the outset, we would like to express our concern in respect of the current serious conditions of the global economy not experienced since the 1930s. Economic activity is going through a sharp downturn in many developed economies, with some of such economies entering real economic recession. Developing country and emerging economies have started to be impacted by financial turbulence, leading to downturn in growth rates lately. Such downturn resulted from: the prolonged problem, increased external financing crunch, and inflationary pressures. Moreover, markets have become careful to distinguish among countries according to external imbalances affecting them. Global economic downturn emanated from financial crisis caused by the real estate market in the United States and the vicious cycle involving the financial sector and the real economy. Consequently, economic policy makers are facing increased difficulty in tradeoff choices between inflation, growth and financial stabilization.

3. Credit risks are still high despite measures taken by developed economies – including assistance extended by respective governments and steps taken by central banks - to curb difficulties in finance markets. Consequently, we stress the need for swift addressing of current crisis at the international level with close coordination among countries. Comprehensive measures need to be taken to ensure restoration of trust and confidence to the financial sector. A crucial measure to be taken in the short term involves: making liquidity available, addressing bad assets, and injecting capital into the financial markets. Supervisory and regulatory systems must be enhanced to ensure financial market stability and obviate recurrence of such crises.

4. In addition to efforts aimed at addressing this international financial crisis, we call on the world community to increase attention to addressing the current crisis experienced worldwide in the form of soaring commodity prices, particularly food prices, which may

lead to increasing the number of poor people by about 100 million persons, leading to enormous financial burdens for low-income countries, particularly in Africa. As we welcome the various efforts taken to tackle the different aspects and root causes of the current crisis, we note initiatives taken by the World Bank in support of such efforts. Yet, we look forward to further effective measures such as: increased assistance to World Food Program, helping developing countries to modernize their agricultural sectors and increase production and productivity with a view to achieving desired food security. We also note the role contributed by IMF to support balances of payment and extend additional financial assistance. Further, we welcome updating streamlining of “External Shock Response Facility” to make it more useful for member countries.

5. Donor Arab countries have contributed their role in mitigating suffering of the poor and increasing investments in agricultural sector. Special mention should be made of the \$500 million grant extended by the Kingdom of Saudi Arabia to the World Food Program as well as the generous aid extended by: Kuwait, Qatar, and the United Arab Emirates. In this context, we call on industrial countries to contribute a vital role to address the current crisis and take the initiative in reducing subsidies for their agricultural products as well as restrictions imposed on their imports of the same. Such subsidies and restrictions are stifling development of agricultural sectors in developing countries. Further, we call for cessation of using agricultural products for biofuel production as this has led to escalation of the crisis and increased food prices.

Mr. Chairman,

6. Turning to the role contributed by IMF to achieve monetary and financial stability worldwide, particularly in light of potential adverse impact on global economy due to current financial crisis, we believe that, to enhance that role, developing and emerging countries should have a clear and obvious voice at IMF. In this respect, we welcome selection of a first chairman from a developing country to head the International Financial And Monetary Committee. Moreover, IMF should enhance its oversight role and apply the same in an equitable manner to policies of all member countries, including developed countries. As far as emerging economies are concerned, we encourage IMF to explore new mechanisms that provide to such economies rapid finance to protect such economies from adverse economic crises. Further we believe that IMF should adopt a budget that will facilitate undertaking such a required role. In this respect, we call for swift adoption and implementation of resolutions related to enhancement of IMF income. We are apprised of a decision to charge fees for technical support IMF extends to member countries. This may lead to alienating developing countries from IMF and denying such countries necessary technical assistance. Accordingly, we stress the need to reverse application of such a decision as soon as possible to prevent any resulting adverse impact.

7. In view of growing importance of sovereign funds to international financial system, we note the positive role contributed by such funds through providing capital to markets of developed economies during this year's financial turbulence. These funds target long term investments and shun speculation and non-commercial objectives. In this context, we stress again the importance of preserving voluntary nature of principles and practices agreed in respect of such funds, without any mandatory control. Respective principles should be subject to laws, obligations and practices effective in countries to which each such sovereign fund belongs.

Mr. Chairman,

8. The Arab group of states is attentively monitoring increased activity by the World Bank in support of developing country efforts to address consequences of climate change and risks emanating from it. We stress that such increased attention to such issues by the Bank should not have adverse consequences for remaining development priorities and programs of the Bank, particularly efforts related to support for growth and poverty reduction in developing countries. Moreover, we stress the importance of coordination with specialized international organizations in this respect, especially the need for respecting ratified international covenants and conventions.

9. We appreciate efforts aimed at reaching a consensus that may enhance role of developing countries in decision making as well as outcomes of Development Committee deliberations about proposals in this regard. We look forward to real improvement in developing country voice in the coming Spring Meetings of the World Bank Group. We particularly refer to increase of total developing country voting rights towards parity with those of developed countries, without adverse impact on the voting rights of any other developing country. We also look forward to more diversification in World Bank Group staff, particularly an increase in staff members from developing country group. We would like to applaud the decision to create an additional chair in the World Bank Board of Executive Directors for Sub-Saharan Africa. We also call for a more open mechanism for selection of World Bank Group presidents and IMF Directors.

10. Turning to developments in our Arab region, we note the fact that most countries in the region experienced continued good growth rates in the past year despite global conditions of instability. Fruitful efforts continued in various areas of reform as well as adoption of sound policies leading to more open trade and obvious progress in areas of: governance, accountability, and improved investment climate where some of our countries achieved top rankings. Moreover, increased inflows of financial resources into oil exporting countries led to increased investment outflows to developing countries, enhancing south-south economic relations.

11. Careful to achieve world oil market stability, Arab oil-producing countries increased investments with a view to increasing oil production and exports. They also continued close cooperation with oil consuming countries. It should be noted that oil price increases did not result from constraints related to the supply-side. They emanated from factors related to: world demand and limited refining capacity due to weak investments in refining capacity, unfair taxes imposed by developed countries on energy resources, as well as speculations which have become an outstanding characteristic of oil markets.

12. Economic growth in Arab countries coincided with accelerated inflation rates emanating from: higher world prices of commodities, local demand increases, and bottlenecks in local production capacity particularly in housing sectors. The challenge facing policies of Arab countries, especially low and middle-income countries, lies in: securing food requirements of their peoples, strengthening of growth and containment of inflation, and retaining proper levels of foreign exchange reserves. Many Arab countries have taken measures, including social assistance, to protect low-income groups from the impact of world price increases.

13. Varying conditions of our countries exposed many of them to impacts of lower global economy growth and commodity price crisis, particularly food prices, as well as instability of world markets and recurrent droughts. In addition to efforts made by our countries to address such challenges, we commend efforts made by the World Bank Group in our region through increased loans and credits as well as initiative included in World Bank strategy to support economic activity in the Arab World. We particularly commend the initiative presented by Mr. Zoellick. We look forward to: a comprehensive plan identifying respective priorities, accelerated implementation of this initiative, and allocating more attention to regional projects that lead to more openness as well as projects aimed at addressing unemployment and expanding private sector development.

14. We call for increased attention to Arab countries suffering effects of conflicts. We recommend more flexibility in dealing with such countries and the need for combined efforts and cooperation between all organizations and agencies concerned to spread benefits and ensure maximum impact of aid extended. While commending the role contributed by IMF and the World Bank in this respect amid difficult circumstances, we call for continued efforts by the World Bank Group in our region to provide effective support to address sufferings of the Palestinian people under occupation, building their economy and ending the blockade and closures. We call for reconstruction of Iraq, re-engagement with Somalia and eliminating debt burdens of the Sudan, especially since peace agreements have been concluded. Progress and stability in those countries will undoubtedly benefit all in the region and the world at large.

Mr. Chairman,

15. We reiterate our urgent call to IMF and the World Bank Group to recruit appropriate numbers of Arab country nationals at all management levels, particularly higher management levels. It is important that Arab country nationals be accorded appropriate career advancement opportunities as current recruitment and professional promotion ratios are very low compared to those from other similar regions, especially as many staff members from our region lost their jobs due to restructuring at IMF this year.

16. Finally, Mr. Chairman, we understand well that we still have a long way to go in our efforts to overcome challenges and achieve more progress because our Arab region is characterized by different circumstances and conditions and faces many of the challenges affecting developing countries. We look forward in this respect to continued close cooperation with IMF and the World Bank Group as well as all our development partners.