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Statement by the Hon. **DARWISH BIN ISMAIL AL BALUSHI**,  
Governor of the Bank for **OMAN**,  
on Behalf of the Arab Governors



**Statement by the Hon. Darwish bin Ismail AL BALUSHI,  
Governor of the Bank for Oman,  
on Behalf of the Arab Governors**

**Joint Arab Speech**

Mr. Chairman, Ladies and Gentlemen

I am honoured to speak on behalf of my colleagues from the Arab World – a region that continues to be in the limelight of global attention, especially given the various reform initiatives currently being implemented. While this attention has focused on the importance of accelerating the pace of adjustment and reforms, we want to underscore today the relatively impressive macroeconomic performance and development progress achieved thus far.

To date, our region has witnessed significant improvement in key economic and social indicators. Sound macroeconomic policies, sustained implementation of structural reforms, and generally favorable external developments have underpinned notable growth performance across the region and allowed for a rapid recovery from the global crisis. Arab oil producers continue to support regional and global macroeconomic stability and development, whether through stabilizing oil markets, external development and humanitarian assistance or through remittances from their expatriate workers. Notable progress has also been made on key development indicators including an increase in average life expectancy to 70 years, a primary education completion rate of 90 percent and an under-5 mortality rate of 38 per 1,000. Most significantly, substantial progress has been made in reducing poverty.

That said, the recent political events in some countries in the Arab World are a key reminder that much remains to be done. In the near term, these events and associated uncertainties are likely to lower economic prospects in the affected countries. At the same time, they present a valuable opportunity to accelerate the pace of implementation of wide-ranging reforms, including promoting further economic diversification and private sector development, and strengthening the financial systems, to support sustainable and inclusive economic growth and secure employment for our people, particularly, the youth. In short, our immediate priority is to respond to peoples' expectations while preserving macroeconomic stability.

And, while many of our countries and financial institutions have received pledges of economic and financial support to assist them during this transitional period, these have yet to be translated to actual commitments.

While the *Bretton Woods Institutions have played an important role* in supporting our region, *we hope that this role can be strengthened to align it with the global and regional changes, while taking into account the current challenges being faced, and the need for prompt response, particularly in strengthening the human and financial resources.*

In this regard, we value the increase in the World Bank support to the region and for strengthening cooperation, and its prompt response to the emerging needs of Egypt and Tunisia. We also appreciate that IDA support has been maintained for some Arab countries, and that the IMF has indicated that it could potentially make available up to \$35 billion in financial assistance to the region as part of a broad international effort.

In this context, we value the close engagement of the IMF through surveillance, technical assistance and lending relationships with our member countries.

In this connection, we consider important the strengthening of effective IMF surveillance – the pillar upon which the institution rests. The Triennial Surveillance Review provides an opportunity to strengthen current practices. We support the intention to gain traction in the surveillance of advanced and large economies, and explore avenues for enhanced candor, relevance in terms of coverage of macro-social issues, and collaboration with country authorities. We also support the ongoing deepening of the institution's work on financial stability, interconnectedness, and analysis of spillovers. We do not support applying reserve adequacy metrics as part of surveillance. We encourage efforts to strengthen the integration of bilateral and multilateral surveillance.

In this regard, we reiterate our concern for the weakness in the economic growth prospects of the industrialized countries, and look forward to prompt and decisive response that would ensure global economic stability, and avert contagion.

Across IBRD, IDA and IFC, high-value knowledge and advisory services have increased—including several influential reports on poverty, private and financial sector development, migration and regional integration. We greatly value these analytical knowledge products whether bundled with lending programs, programmatically in a CAS as in the case of Algeria, within the Reimbursable Technical Assistance Program, or within the Advisory Programs, as we recognize the importance of their best practice recommendations for the proper design and effective implementation of reform programs.

We also welcome the intensified *focus on regional programs and projects*, in collaboration with the regional development Banks, Arab and Islamic financial institutions, other multilateral and emerging country donors. The five-country Concentrated Solar Power program under the Bank's Arab World Initiative and the IFC's e4e initiative are two notable cases in point.

We look to further strengthening of such collaboration of the Bretton Woods Institutions with each other, and with the regional development banks and financial institutions on an integrated approach to the development agenda in the region and leverage the limited development resources for greater effectiveness.

Mr. Chairman, Ladies and Gentlemen,

At this juncture, the Governors of the Bretton Woods Institutions representing Arab countries would like to underscore the importance of broader and stronger coordination between our countries and the Bretton Woods Institutions, on the selectivity and prioritization in the regional strategies and approaches of the Institutions. In this regard, we believe, there are three key objectives we should work towards.

**First**, critical to strengthening economic progress across the region is the urgency of *creating sustainable jobs, particularly for the youth, and enhancing the skills of our people more broadly*. The Bretton Woods Institutions can support this objective through a two pronged approach.

a. We need to include *capacity building* as an integral part of the 'on-the-job' implementation of the BWI programmes and projects in our region, whether in the field, or at the Institutions themselves. This would also include intensifying efforts to enhance recruitment, particularly of under-represented nationalities; and career development of existing Arab staff.

b. We need to prioritize the objective of generation of sustainable employment through a *vibrant private sector*, operating in an enabling, competitive and diversified environment. To this end, we must maintain the macroeconomic stability achieved thus far, inter alia, by ensuring that measures introduced to support the recovery, consumer subsidies in the face of higher food and commodity prices, and social transfers are designed with due regard to the available fiscal space and long-term fiscal sustainability. We also need to utilize more intensively IFC's regional expertise and innovative approach, and thus urge further scaling up of their work across a broader range of sectors. A more proactive approach by MIGA particularly during this critical time would boost confidence and foreign direct investment.

Our **second** priority is the challenge of low and depleting *water resources*, and for some, the associated *food insecurity*, given that the Arab World imports most of its food, and most of this is heavily subsidized. Designing integrated rural development strategies that not only address the challenge of food security and scarce water resources, but also contribute towards creating good productive employment opportunities in agriculture and related sectors, would be welcome. At the same time, targeted and cost-effective social safety nets are needed to mitigate the impact of higher food and commodity prices on the poorer segments of the populations.

**Third**, we need to recognize the *unique circumstances of Sudan*. The cession of the South poses significant risks, not only in terms of the loss of large oil revenues, but also because Sudan's debt situation is already unsustainable. We call on the Bank and the Fund to lead the necessary multilateral effort to urgently define a clear, time-bound, debt relief strategy to secure access to resources, thereby ensuring that the development agenda of Sudan is not compromised.

**Fourth**, the Palestinian Authority continues to work with the World Bank Group in implementing strategic interventions. The World Bank Group's support is instrumental and critical in encouraging the international community to continue their generous support to the Palestinian people by setting an example of excellence and partnership. We urge the World Bank Group to expand its programs and financial support to help the Palestinian Authority in the state building and developing a viable economy.

In conclusion, Mr. Chairman, Ladies and Gentlemen, I would like to welcome the process for selection of the new Managing Director of the IMF, and the incoming MD herself, Ms. Christine Lagarde. We are confident that the combination of financial and legal knowledge that Ms. Lagarde brings will be critical for the effective management of this important Institution going forward.

Thank you for your attention.