ANNUAL MEETINGS
2017 | WASHINGTON DC
WORLD BANK GROUP
INTERNATIONAL MONETARY FUND

Governor's Statement No. 15

October 13, 2017

Statement by the Hon. **MOHAMED SAEED AL-SADI,**
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Statement by the Hon. Mohamed Saeed Al-Sadi,
Governor of the Bank and the Fund for the Republic of Yemen

Mr. Chairman, Honorable Governors, Ladies and Gentlemen

1. It is my pleasure to deliver this year's Arab group address to the 2017 Joint Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG).

2. The global economic recovery is firming, driven in part by a recovery in investment and trade, and the outlook is broadly improving, albeit with several downside risks. It is therefore crucial to further enhance coordinated, comprehensive, and well-communicated policy mix aimed at securing the recovery, avoiding downside risk scenarios from materializing, and improving inclusiveness. The role of the IMF and the WBG is important to support sustained and inclusive growth for all countries and promote global financial stability. In this regard, we welcome the focus of the IMF flagship documents on fiscal policy options to address rising concerns about inequality, wage increase dynamics, as well as the relationships between household debt, income, and credit, and their implications for financial stability. We also support efforts to sustain the recovery, lift productivity, and increase resilience in the context of policy options on fiscal space and macro-structural issues. We agree on the importance for the IMF and the WBG to facilitate multilateral solutions across countries to meet global challenges.

3. The IMF and WBG should continue their efforts in helping member countries, in particular Low Income Developing Countries (LIDCs), achieve their growth and employment objectives, including the Sustainable Development Goals (SDGs). Preserving macroeconomic stability, fiscal and debt sustainability, while enhancing domestic resource mobilization are important, in addition to strengthening financial stability, developing capital markets, and improving the business climate to attract private investment. In this regard, we urge the IMF and WBG to strengthen their support to members' capacity to tap into domestic and international capital markets, including through innovative financing instruments. The IMF and WBG should also strengthen their advocacy role to mobilize donor support to LIDCs and help ensure timely delivery of committed development assistance.

4. With regards to developments in our region, structural reforms under implementation in several countries of the region together with a more favorable global environment are helping to improve economic prospects. While oil exporters are facing another year of reduced oil revenues, prudent policies, coupled with strong buffers and resilient financial systems, have helped maintain satisfactory and healthy macroeconomic performance. Growth friendly fiscal consolidation and structural reform measures continue to be implemented this year. At the same time, these countries are committed to continue focusing their efforts on implementing necessary reforms to diversify their economies.

5. Economic activity among oil importers is slowly strengthening, reflecting lower oil prices, increasing external demand, and improved confidence owing to progress with recent reforms. These notably include fiscal consolidation and measures to improve business climate. Additionally, reforms of generalized energy subsidies in several countries, along with improved targeting and social safety nets, have helped strengthen macroeconomic stability and improve resource allocation while protecting the vulnerable.

6. All countries in our region are committed to strengthen public finance management through improved revenue mobilization and enhanced spending prioritization and efficiency. Countries in the region recognize the need to continue to improve the business climate, increase efficiency in the delivery of education and health services, advance labor market and trade reforms, strengthen and deepen financial systems to boost economic prospects, support job creation, and meet the SDGs. We look forward to a fruitful discussion at the conference to be held in Marrakesh on January 29–30, 2018, with the theme *"Opportunities for All: Promoting Growth, Jobs, and Inclusiveness in the Arab World,* and to well-articulated conclusions that can be operationalized at the country level.

7. As for the reconstruction, recovery and support for countries in conflict and those facing refugee inflows in our region. Conflicts in the Arab region have significant human, economic and social costs impacting the lives of millions of people, and have resulted in massive negative spillover on some neighboring countries. Currently, it is estimated that about one-fifth of the population of the Arab region is impacted by conflicts in Libya, Syria, Yemen, and Iraq. The damage to physical capital and disruption to economic activities is huge, exceeding countries' pre-conflict GDP for multiple years.

8. The world stands to benefit from peace and stability in the Arab region and the international community will have a vital role in supporting peace processes, as well as financing the post-conflict reconstruction and recovery programs. We urge the IMF and WBG to continue supporting countries in conflict by preserving and building their institutional capacities and functionalities, as well as helping people to manage and lessen the impacts of conflicts. As the situation improves for these countries, the IMF and WBG should stand ready to provide immediate and significant financial support and step-up their technical assistance. Assessing the damage resulting from conflicts and the reconstruction needs while also designing strategies for recovery and reconstruction at an early stage could be useful. Consideration needs to be given to innovative financing instruments at concessional terms. For some countries, prompt and in-time policy advice is needed through short staff notes to address critical macroeconomic challenges. Adequate resources and priority should be accorded to such requests.

9. By leveraging current partnerships, the WBG should continue exploring innovative ways to support these countries, as well as, countries suffering from the spillover of conflicts. Furthermore, the WBG's efforts to craft reconstruction and recovery plans to promote consensus around a new social, economic and institutional vision for affected countries is highly welcomed to ensure ready and agile responses in the aftermath of conflicts. The IMF and WBG should continue supporting the creation of platforms for dialogue, knowledge exchange and coordination amongst

development partners to support countries in conflict and post-conflict environments. It is also crucial that the international community help countries in meeting their financial obligation to IDA in a timely manner to avoid interruption in implementation of programs in countries facing conflict as the economic and social cost of disengagement can prove to be very high.

10. Reconstruction and recovery efforts should be inclusive and contribute to the peace-building process by addressing the root causes of conflict and fragility to prevent the recurrence of future conflicts. Engagement should be framed within a comprehensive development agenda, comprising additional support and financing to foster an environment of economic opportunities and basic service delivery for all stakeholders. Programs should go beyond building and rehabilitation of infrastructure and physical capital and should also aim at strengthening institutional resilience that will enhance social cohesion and foster investment in human capital, including a focus on supporting the mental and psychological health of affected populations. Nation building needs to be at the core of the reconstruction and recovery process and should be people-focused to ensure that no one is left behind, including the forcibly displaced populations. Given the dramatic shift of the role of women as a result of these conflicts and the increased number of female headed households, more investment should be directed to empowering women and preventing them and their families from falling into poverty. Furthermore, reconstruction and recovery programs should be nationally owned and reflect the countries' development goals and priorities. National institutions' role is crucial in designing, implementing and monitoring of post-conflict reconstruction and recovery programs.

11. We appreciate the efforts of IMF and WBG to help create awareness and mobilize international assistance to address the economic and social impacts of the refugee flows and meet the huge humanitarian needs that countries like Jordan and Lebanon are facing. In this context, we welcome the work of the WBG through the Global Concessional Financing Facility and urge that its focus be maintained on the Syrian refugee crisis. We also support the International Monetary and Financial Committee (IMFC)'s call on the IMF last year to be prepared to contribute to supporting refugee hosting countries within its mandate, including through global initiatives.

12. We welcome the efforts of the IMF and WBG to provide and leverage, in collaboration with other multilateral and bilateral institutions, additional resources to support Arab countries that are undergoing political transitions and significant macroeconomic adjustment. We welcome IMF's financial and technical assistance to Egypt, Iraq, Jordan and Tunisia in support of their adjustment and reform programs and to meet their balance of payments needs. We take positive note of the continued engagement with Morocco through the Precautionary and Liquidity Line, which provides useful insurance against external shocks. We appreciate the scaled-up efforts and increased financial assistance of the WBG to Arab countries and hope that these efforts get further momentum given the challenges facing the region. We emphasize the need for continued constructive IMF and WBG engagement with the Arab region through appropriate and flexible financial support, based on the specific circumstances and needs of each country, which will be crucial for promoting sound and well-prioritized policies, catalyzing official bilateral and multilateral support, and attracting private capital. It is important for the IMF to undertake social

impact analysis of its policy recommendations which is essential for conditionality under the IMF arrangements to be judicious and mindful of political and social stability.

13. As for regional integration issues, we welcome the WBG efforts in promoting regional integration in the Arab world, in cooperation with regional organizations and financial institutions. We look forward to closer cooperation between the IMF and WBG and the GCCs countries in assisting other Arab countries, through bilateral cooperation and regional financial institutions, to address economic and social challenges, and meet their development goals to achieve greater economic integration, social stability and sustainable growth.

14. With regard to debt management, we call on the IMF and WBG to support our countries' efforts at strengthening their debt management frameworks through technical assistance, particularly for LICs. The upcoming review of the IMF Facilities for LICs is critical to ensure that these instruments adequately respond to the actual or potential balance of payment needs of the countries. It will be essential to maintain flexibility in the joint WB/IMF DSA framework in line with country development objectives. In this regard, we encourage the IMF and WBG to roll out extensive capacity building ahead of its implementation. We also call upon the IMF and WBG to exercise flexibility in accessing debt relief and HIPC initiative for countries in arrears. Especially, we call for urgent action to fast track Somalia and Sudan's access to debt relief under the HIPC Initiative to address the arrears issue and regularize their relations with creditors.

15. The adverse impact of illicit financial flows (IFF) on achieving the SDGs provide a strong justification for the IMF and WBG to address this growing challenge. The IMF and WBG should lead the advocacy for international commitment and cooperation to stem IFFs at the origin and destination points, including intermediate jurisdictions through which IFFs transit. Furthermore, enhanced support for developing countries seeking to build long-term capacity in tax administration and sustained engagement on international tax issues will be critical in helping those countries achieve their development needs We urge the IMF and WBG to systematically address IFFs within the context of public financial management (PFM) and domestic resource mobilization (DRM), where they have a comparative advantage in providing technical assistance in procurement, financial management, regulatory reform and knowledge transfer. We would also encourage the mobilization of the WBG's knowledge and advisory work on related issues including beneficial ownership and anti-money laundering. Moreover, we ask the WBG to solidify its activities and resources to allow effective intervention to strengthen local capacities and help recover assets building on lessons learnt from the experience with the Stolen Asset Recovery (StAR) Initiative.

16. We welcome that the WBG is taking a group-wide approach to encourage private sector investments. In this context, we look forward to the successful implementation of the Cascade approach and IDA Private Sector Window in our region, in order to attract private capital to Arab countries in transition and those affected by conflict and fragility, by supporting reforms; fostering private sector development; and helping to promote entrepreneurship and innovation.

17. Middle Income Countries in the Arab region are overly-burdened with rising public debt, exacerbated by fiscal constraints that impede additional capital expenditures. These countries aim to entrust the development of ambitious infrastructure projects to the private sector. They are seeking feasible and implementable solutions to develop key infrastructure projects, including in energy, education, healthcare, transport, water and sanitation. We urge the WBG to harness its broad and deep knowledge of private and public sectors to assist these countries with identifying bankable project pipe-line, project preparation, institutional capacity building, capital market development, and PPPs.

18. Improving the innovation ecosystem and enhancing access to finance to promote startups and small size enterprises will be key for growth and job creation in the region. In this context, we attach great importance to IFC's start-up catalyst program that will allow investment in Equity Funds or Venture Capital funds. Moreover, we urge the WBG to promptly operationalize the Early Stage Innovation Facility (ESIF) to address both the very early stage financing gap and the know-how gap that is contributing to the weak pipeline and high risk of such ventures. Furthermore, supporting women entrepreneurs remains a key challenge. Female-entrepreneurship is very low in our region compared to the global average and is constrained by the lack of access to financial services. We appreciate the recently announced Women Entrepreneurs Financing and expect it to make a significant impact in our region.

19. We welcome the focus of the World Development Report 2018 on "Learning to Realize Education's Promise". Education is an important theme that cuts cross the whole development agenda. We agree that improving learning is a priority and a lot more needs to be done to realize the full potential of education as the primary tool of learning. This calls for a deliberate WBG strategy to support client countries' efforts in the education space, including improving the education-employment nexus in the fast-changing technological landscape.

20. The IMF and WBG 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 appreciate the high-quality analytical work carried out by the IMF and WBG on obstacles for development of a viable economy in Palestine and encourage the institutions to continue to pursue such work. However, with donor support declining, new and innovative financing mechanisms are needed. Therefore, we believe that the time has come for a renewed donor commitment and a more elaborate engagement in Palestine to improve the living conditions of Palestinian people and allow for a better future. On the WBG side, in addition to the funding already extended to the Government, we believe that the engagement should seek to set up a private sector fund to support private enterprises and private sector participation in infrastructure expansion. Such a fund would tap into Palestinian private capital at home and diaspora, in addition to the public and concessional resources available from multilateral and regional development banks. This fund would crowd-in commercial capital and reinvigorate the Palestinian private sector to deliver sustainable and affordable services and secure job-generating investments.

21. Hence, we expect the WBG to tailor its existing instruments -knowledge products and financing- to bolster private sector and prioritize the work on business climate improvement, addressing market and institutional failures and enhancing competition. These should be combined with IFC Advisory services to help in the identification and preparation of projects, and in supporting pioneering clients and transactions with the intent to substantially increase the supply of bankable projects. Furthermore, MIGA should seek to replenish its West Bank and Gaza Trust Fund so that it could deploy its instruments to assist in addressing political risk concerns and give comfort and confidence that can pave the way for private sector investments.

22. An important issue facing many of our countries is the withdrawal of Correspondent Banking Relations (CBRs). We recognize the positive contribution of the IMF and WBG in support of our efforts to help improve access to credit, and more generally, to enhance the financial system's stability, resilience and deepening across our region through their advice, technical assistance, and other instruments of support. We see an important role for the IMF to help maintain access to financial services through CBRs, including by facilitating cooperation among country authorities, supervisors and standards setters, and the financial industry. We welcome the IMF's participation in the Second Joint AMF-IMF High-Level Workshop on the Withdrawal of CBRs that took place in Abu Dhabi on September 21-22, 2017.

23. Notwithstanding some progress with Arab representation at the IMF and WBG in the last year, our region continues to be the most underrepresented in these institutions. The IMF 2020 diversity benchmarks remain out of reach under current policies. We, therefore, reiterate our call for further efforts to increase the share of staff from our region through a more proactive approach and clear accountability at managerial levels. We also call upon the IMF and WBG Managements to address biases in recruitment, career progression and promotion of staff from our region.

24. I would like to conclude by sharing our views on governance reforms at the IMF and WBG. With regards to the Fifteenth General Review of Quotas at the IMF, meaningful progress toward enhancing EMDCs' voice and representation and improving governance are crucial for the credibility, legitimacy, and effectiveness of our institutions. However, it is important to ensure that the 15th Review and the related quota formula review does not further dilute our countries' quota shares as happened under the last two reviews. While we support continued rebalancing of quotas in favor of EMDCs to reflect their growing role in the world economy, this should not be at the expense of other EMDCs. Consideration should also be given to voluntary financial contributions in allocating quota shares under the 15th Review, while ensuring that this should not come at the expense of other EMDCs. It would also be crucial to protect the voice and representation of the poorest members of the IMF. Moreover, decisions on quota and governance reform should remain within the IMF governance bodies, with the role of groups such as the G-20 focused on helping build consensus among the membership.

25. With regards to the World Bank's 2015 Shareholdings Review, we take note of the report that updates Governors on progress since the last report submitted at the Spring Meetings of 2017. We understand that the size of the IBRD's Selective Capital Increase (SCI), allocation rules and other aspects of the review remain open for further discussion. It would be important to recall that, in

the Spring Meetings of 2010, Governors endorsed the principle of moving over time towards equitable voting power between Developed and Developing Countries. Thus, the current shareholdings review should build on, and not reverse, the steps taken in the 2010 shareholdings review. Preserving this fundamental principle in the current shareholding review would require minimizing the dilution impact on individual developing countries. The size of the IBRD SCI should be small enough to achieve the agreed objective of moving in manageable steps to smooth the impact on individual shareholders, and to produce an outcome that is broadly acceptable to the membership. It would be also necessary to protect the smallest poor countries. On IFC shareholding, the overarching objective of the SCI should be to narrow the voice gap and bring the shareholding structure as close as possible to that of IBRD.