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WBG Governor's Statement No. 8

October 14, 2022

Statement by the Hon. **NASSER SHRAIDEH**,  
Governor of the Bank for **JORDAN, ON BEHALF OF THE ARAB GOVERNORS**

**Statement by the Hon. Nasser Shraideh,**

Governor of the Bank for Jordan,

on Behalf of the Arab Governors

- 1- Overall, the Arab economies demonstrated resilience to the successive waves of COVID-19 and associated impacts. Recent geopolitical conflicts and their spillovers are weighing on the regional outlook and exacerbating divergence in recovery prospects. Indeed, for oil exporting countries of the region, the outlook is improving following the oil price surge partly offset by higher food prices and borrowing costs. Continued fiscal consolidation and economic diversification commitment should help boost investor confidence and achieve stronger growth over the medium term. Oil importing economies are expected to grow at a slower pace than projected earlier in the year, affected by the sharp increases in prices of energy, food, fertilizers, and metals. Over the medium term, recovery appears positive but uneven across countries, underpinned by gains from ongoing reforms, recovering demand, and improved domestic confidence.
- 2- Policymakers in Arab countries, especially low and middle-income countries, including those facing fragility and conflict, are faced with challenges such as tackling rising inflation, addressing food insecurity, preserving fiscal and debt sustainability, and promoting sustainable and resilient growth. We, therefore, appreciate the continued IMF and WBG engagement with our region, their valuable policy advice, as well as technical assistance, and financial support to our countries. We call on them to remain agile in their response to the countries' emerging needs, including addressing the challenges stemming from rising inflation, tightening global financial conditions, increasing debt vulnerabilities, slower growth, and climate change.
- 3- Rising food and energy prices and global supply chain disruptions exacerbated inflationary pressures around the world, and precipitated food security crises, adding to the already existing economic, social, and financial challenges. With the support of the IMF and WBG, our governments are taking swift and decisive measures, including targeted social assistance, to protect the vulnerable segments of the population from rising inflation. Medium and long-lasting efforts to improve food production are ongoing, but it will be crucial to boost investment in sustainable agriculture, efficient food systems, and better management of water resources. Eliminating all impediments to the food and fertilizers trade, including in legal, financial, and logistical areas, is essential to strengthening food security in our region. The IMF and WBG should designate MENA as a priority region for food security, and help devise short- and long-

term strategies, as well as promoting public and private investment in this crucial sector. We look forward to the launch of IFC's platform for food security in Africa and MENA, whose focus should be to expedite and facilitate investments in Agribusiness and related manufacturing and service sectors. We also appreciate the commitment of the IMF and the WBG to work together to support the Global Alliance for Food Security, monitor the drivers and the impact of higher prices, and help ensure that investments, financing, data, and best-practice knowledge are available to countries in need.

- 4- While necessary to contain inflation and anchor inflation expectations, monetary tightening in advanced economies has increased borrowing costs for developing economies, intensified capital outflow pressures, and currency depreciation. It could also highly undermine debt sustainability, worsen financing gaps, and further constrain the fiscal space necessary to support a robust recovery. Tailored policy advice to our countries and adequate financial support are thus critical to mitigating the adverse consequences of global monetary tightening, thus sparing the world economy the risk of an unprecedented economic recession.
- 5- A more significant private sector role in output and job creation must complement policy advice and financial support of the WBG. The private sector is pivotal in optimizing the region's vast human and physical capital. We, therefore, look forward to utilizing IFC and MIGA's financial and Advisory tools to promote private sector-friendly policies, regulations, and market reforms to foster private sector development, support entrepreneurship, and finance vital projects, particularly for SMEs. In an environment of monetary tightening, WBG needs to help countries in the region develop and finance PPP programs and other public investment models, to modernize infrastructure, and improve services for the people without further exacerbating fiscal deficits and worsening their debt levels.
- 6- Many of our countries have worked actively and tirelessly towards achieving global energy security and stability of energy markets in a volatile environment. To meet the increasing global demand, it's crucial to invest in clean technologies to utilize the full range of energy sources, including renewable energy and energy efficiency. We urge the WBG to continue supporting countries in the region, particularly MICs, to ensure access to affordable, sustainable, and reliable energy for all. It is also necessary for the IMF and WBG policy advice on energy to be based on multilateral consensus while considering country circumstances, distributional impact, and energy security and access concerns. The IMF should focus on the tradeoffs between the need to support vulnerable households and firms to mitigate the impact of higher energy imports, and their implications for the fiscal balances.

- 7- We call on both institutions to continue their efforts to help countries address growing debt vulnerabilities exacerbated by the implementation of the exceptional fiscal response to the pandemic and the rising debt service burden and borrowing cost. We support the IMF and WBG's work on the debt agenda and call for additional actions to improve the international debt architecture, in which we believe the IMF should have a leading role. The priorities are to (i) strengthen the international framework for sovereign debt resolution including through the full implementation of the G20 Common Framework and extending it to cover lower middle-income countries, as many of them are facing rising debt vulnerabilities. (ii) ensure shared responsibility between debtors and creditors and fair burden-sharing between public and private creditors, and (iii) improve debt transparency, including critical indicators to monitor debt vulnerabilities as part of an early warning system, and (iv) provide capacity development for member countries to carry out this work.
- 8- We continue to stress the importance of digital transformation for economic development. Given the fast-changing landscape of the digital economy and its significant impact, we re-iterate the urgency to identify, and bridge existing digital gaps and reverse the trend of the widening digital divide. Addressing the regional and gender divide in digital technology and access should form a significant part of the WBG's support agenda for improved digital infrastructure, secure and reliable connectivity, digital payments, and service delivery. IMF work on strengthening coordination among central banks on central bank digital currency (CBDC) design and interoperability is important. We encourage additional IMF work on assessments of the risks and opportunities associated with the CBDC and crypto-asset markets, and further aspects of digitalization and their implications on the international monetary system. We welcome the IMF and the WBG's commitment to finding solutions, ensuring thus greater inclusiveness and an increased potential to enhance the capacity of both government and citizens to respond to future crises. Furthermore, we emphasize the importance of WBG's leadership role in supporting the digital transformation of developing countries.
- 9- We consider the recently launched Resilience and Sustainability Trust (RST) as a step in the right direction to help low-income, developing small states and lower-middle-income countries address macro-critical longer-term challenges and risks involved with structural challenges. We look forward to operationalizing the RST and launching its pilot before the end of this year. We call on the IMF to raise the cap on lending under the RST and explore expanding it to cover food security, job creation, financial inclusion, economic diversification, and digitalization. The IMF's work in helping to estimate the cost of meeting the Sustainable Development Goals (SDGs) is essential and should be expanded further by providing a framework to consider climate finance

needs, distinct from Financing for Development. The Climate Macroeconomic Assessment Program (CMAP) of IMF and the Country Climate and Development Report (CCDR) of the Bank are mutually complementary. In this regard, we stress the need for careful coordination to avoid duplication of effort and ensure consistency of advice.

- 10- Climate change is exacerbating challenges for our already water-stressed region, including higher frequency droughts, temperature extremes, and more frequent and increasingly severe natural disasters. We ask the WBG and IMF to continue their engagements with member countries and support their efforts to achieve the SDGs, poverty eradication and economic prosperity, in line with the Paris Agreement. Both institutions can indeed help countries in our region overcome climate adaptation, mitigation, and transition challenges by providing additional technical and financial support consistent with the national circumstances, development plans, capabilities, and priorities. The IMF can also play a significant role in drawing attention to the financing needs by helping our countries estimate the long-term costs for adaptation and mitigation. The upcoming COP27 in Egypt will be an opportunity to build on and advance many of the commitments made last year, as it focuses on delivery and implementation. Implementing successful adaptation strategies will require expanding the suite of accessible long-term financing instruments. In this regard, we reiterate our call that climate change actions should not come at the expense of reducing poverty and the anchoring of development, particularly in MICs and LICs. Both the IMF and WBG have a vital role in exploring new innovative financing options and providing capacity development support to member countries, including assisting lower-capacity countries to access the Green Fund and other sources of climate finance.
- 11- We welcome the recently approved IMF strategy for Fragile and Conflict-affected States (FCS) and look forward to enhanced IMF engagement with FCS countries. We encourage further flexibility in the IMF lending toolkit to accommodate FCS needs and welcome the plans to evaluate those needs in the upcoming review of the Low-Income Countries' Facilities. We also welcome the progress made in implementing the WBG strategy for Fragility, Conflict, and Violence. We encourage the IMF and the WBG to continue scaling up their engagement and their footprint in FCS. The conflict in Ukraine has also brought renewed attention to challenges related to refugee flows and internally displaced people, issues that our region has been facing for many years. We encourage the IMF to carry out a thorough analysis of the implications of refugee flows and internally displaced people, including detailed assessments of the direct and indirect economic costs for hosting countries. This work would be essential to mobilize adequate and timely donor support. Regional Capacity Development centers should continue to play a significant role in assisting countries. In this connection, it is

essential to support the Middle East Regional Technical Assistance's (METAC) activities, which serve 14 countries in our region, out of which nine are FCS.

- 12- Despite the progress in closing the gender parity gaps our region, persistent challenges remain in advancing women's economic empowerment and digital use. The current progress pace is not likely to reflect the commitments made to the agenda 2030 and the SDGs, nor to address the increased challenges of our region. We ask the WBG to continue generating knowledge and context-specific solutions that will contribute to evidence-based policies to close the gender gap in the region, as well as to ensure that no setbacks in gender equality gains are seen due to the compounded global and regional events, including severe economic upheaval, conflicts, and the COVID-19 pandemic.
- 13- Recruitment, career progression, and promotions of MENA staff at the WBG and IMF are still lagging, especially from underrepresented countries. Although some progress has been made, a more proactive approach and clear accountability at managerial levels will be critical to achieving the WBG Diversity and Inclusion Agenda and 2025 IMF MENA diversity benchmarks. We call for continued management commitment, action, and reporting to strengthen recruitment and enhance the career progression and promotion of staff from our region.