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Statement by the Hon. **RANIA AL-MASHAT,**
Governor of the IBRD for **THE ARAB REPUBLIC OF EGYPT, ON BEHALF OF THE ARAB GOVERNORS**

Statement by the Hon. Rania Al-Mashat,
Governor of the IBRD for the Arab Republic of Egypt,
on Behalf of the Arab Governors

1. Introduction

Economic performance in the Arab region remained resilient despite multiple shocks, with growth trending up in 2022. Most recently, the tragic loss of life and widespread destruction caused by natural and climate disasters in Morocco, Libya, and Syria. Members were reassured to see the international community's swift humanitarian response in cases of devastating disasters and look forward to the IMF's and Bank's needs assessments to inform the response and provide timely and targeted support for recovery and reconstruction in the effected countries.

However, challenges to global economic growth and stability persist. Growth is projected to moderate in 2023, as economies continue to face tightening global financial conditions, volatile commodity prices, weakening demand from trading partners and disruptions in supply chains. Additional monetary tightening in advanced countries would further exacerbate the vulnerabilities in countries with high debt levels and weak external positions. While commodity prices have fallen from their peak levels, including food and energy prices, they have generated varying degrees of cost-of-living pressures in the region contributing to higher inflation rates and exacerbated fiscal pressures. In this context, the right policy balance and continued commitment to safeguarding macroeconomic stability remain critical. Durable recovery in Arab countries will require further reforms to boost economic diversification and trade integration.

2. IMF and WBG Support to Our Countries

While maintaining macroeconomic stability and undertaking structural reforms in a challenging economic and geopolitical environment, the countries of our region, and to varying degrees, face complex policy trade-offs, underscoring the need for the International Monetary Fund (IMF)'s active, tailored, and timely engagement with our region, with due consideration for the specific circumstances of countries and the impact on the poor and most vulnerable. In this regard, we call for stronger collaboration between the (IMF) and the Arab Monetary Fund (AMF) and other regional financial institutions, and multilateral agencies. We welcome the establishment of the IMF Regional Office in Riyadh, with the aim to further strengthen the IMF's partnerships with the region.

For many Middle-Income Countries (MICs) and Low-Income Countries (LICs), shrinking access to finance amidst already limited fiscal space and elevated debt vulnerabilities pose challenges to macroeconomic stability. Elevated interest rates, coupled with heightened uncertainties, can lead to increased capital outflows and financial stress. In this challenging context, it is important to ensure adequate, timely and flexible access to IMF resources and customized policy advice focused on restoring macroeconomic stability and resuming gradual fiscal consolidation. Concurrently, it must be ensured that adequate social protection measures are in place to protect the most vulnerable, while also making space for productive investments to boost sustainable and inclusive growth.

Furthermore, low-income countries (LICs) in our region need, alongside financing support, IMF's tailored policy advice, capacity development support and technical assistance, focusing on infrastructure financing, managing debt, and increasing domestic revenue. A well-funded Poverty Reduction and Growth Trust (PRGT) will be vital to foster inclusive growth and help achieve the Sustainable Development Goals.

Fragile and Conflict-Affected States (FCS) are facing adverse economic and development challenges amid complex political economy dynamics, stability and security issues, and structural institutional weaknesses. We welcome the ongoing implementation of the WBG Strategy for Fragility, Conflict and Violence and the IMF's FCS strategy, and look forward to our member countries benefiting from the flexibility the FCS strategy offers. We continue to call for innovative financial products that address the needs of our FCS, including those that face debt sustainability challenges. Supporting our countries in addressing the impact of the refugee crisis and handling spillovers of the broader security challenges posed by fragility and conflicts should remain a priority. We also urge the IMF to thoroughly consider whether another extension of the Food Shock Window is warranted to improve access to the instrument, particularly by food insecure FCS.

The WBG has the tools and resources to help the global community avoid an impending hunger crisis. The WBG Evolution provides an opportunity to strengthen and enhance our actions to address the growing food insecurity challenge. Major action areas for WBG support could include: i) deploying fast response measures, ii) supporting the resilience of food supply chains and stability in food prices, iii) mobilizing private sector resources, iv) inspiring global collaboration and leading country-level actions to reduce food waste and loss, v) supporting affordable access to fertilizers and modern agricultural technologies, vi) supporting productive use of cultivable arable lands, vii) supporting early warning systems, and viii) leveraging existing and new partnerships.

We appreciate that the latest World Bank Development report has brought attention and thrown light on the challenges that come with Migrants, Refugee flows, and Internally Displaced People, which are issues our region has been grappling with for many years. We strongly encourage both institutions to conduct a comprehensive analysis of the economic implications of hosting refugee flows and internally displaced people. Such analysis is crucial to enable the mobilization of adequate and timely donor support.

WBG and IMF support for Palestine is instrumental, not only in its own right, but also to catalyze assistance from the international community to help sustain the resilience of the Palestinian people and enable a viable economy and strong institutions which are key pillars of the two-state solution. In that regard, we urge the World Bank Group to increase IBRD net income transfer to the West Bank and Gaza trust fund. We also welcome the WBG's decision to strengthen its presence on the ground, including opening an office in Yemen and we would like call upon it to increase its footprint in the region overall.

3. Enhancing the IMF's Responsiveness

We urgently call for a temporary reduction in the rate of IMF surcharges or a higher threshold to trigger the surcharge policy. Given the prevailing global economic environment characterized by high inflation and high interest rates, the excessive high rate of charge adds undue burden on vulnerable EMDCs that are also facing pressing social needs. While we acknowledge the role surcharges play in risk mitigation but given the current fast accumulation of the precautionary balance, we believe a temporary reduction or higher threshold are justified. In this regard, we urge a prompt review of the surcharge policy to ascertain the suitability of the current high rate of charge.

The Resilience and Sustainability Trust (RST) is an important tool to support LICs and vulnerable MICs in addressing long term sustainability challenges. While we look forward to the interim review scheduled for April 2024, it is important to continue to improve the RST operations and accessibility, particularly operationalization of the pandemic preparedness component, in addition to inclusion of broader sustainability and economic diversification components. To ensure this important program is adequately resourced, we encourage members to honor their pledges in a timely manner.

To enhance the relevance of the IMF in helping the membership address todays' challenges, it is important that it remains agile and works in line with its core mandate and areas of expertise.

It is imperative for the IMF to remain a strong quota based and well-resourced institution. We call for the successful completion of the 16th General Review of Quota by mid-December 2023. We also call for a third Chair for Africa at the IMF Board, thus improving the continent's representation, learning from the World Bank's experience in this regard.

4. WBG Evolution Roadmap

We commend the progress made on the WBG evolution roadmap. We expect evolution outcomes to deliver solutions at scale to address extreme poverty, shared prosperity, inequality, and global development challenges, including, climate change adaptation and mitigation, pandemic prevention and preparedness, biodiversity and nature, digitalization, fragility and conflict, energy access, food security and water access.

As the WBG embarks on a new phase of its journey, seeking to expand engagement on global development challenges, it must prioritize inclusive economic growth to reduce poverty and inequalities while considering resource constraints, debt levels, rising interest rates, and pressure on government budgets. People must be placed at the heart of the Bank's actions, avoiding unfair burden on developing countries, especially on the poor and the most vulnerable.

Working as One World Bank, in partnership with relevant actors, and strengthening country ownership, while improving speed and effectiveness of delivery, will enhance the WBG's ability to help the Arab Region in achieving the SDGs, mobilizing private investment, stimulating growth, and creating jobs, especially for women and youth. Given the importance of knowledge, it is crucial to tailor the WBG knowledge products to country needs, build countries' statistical capacity, partner with institutions from the Arab region, and be demand-driven. In addition, we urge the WBG to continue supporting countries in narrowing the skill and digital gaps in order to build strong, resilient, sustainable and inclusive economic growth, and to accelerate an equitable future for all.

Delivering on the evolution outcomes will require scaling up additional concessional funds while maintaining the World Bank Group AAA ratings, preferred creditors treatment, and the existing lending prices and avoiding tradeoffs between IBRD and IDA. In this context, we support the WBG work on various financial proposals to increase the needed resources, including Shareholder/Development Partner Hybrid Capital (SDPHC), Portfolio Guarantee Platform, Climate Related Debt Clause, Public Sector Direct Co-Financing and Non Honoring of Sovereign Financial Obligations to a Multilateral Development Bank as well as the measures already approved by the Board, namely removal of the Statutory Lending Limit from IBRD Articles of Agreement and lowering of the equity to lending ratio from 20% to 19%.

We also welcome the Evolution Roadmap's emphasis on Private Capital Mobilization (PCM) as a pillar of the World Bank new playbook. We support management's plans to increase mobilization through the development of new scalable platforms, expansion of existing products, exploration of new partnership models, and reach to new investors.

We take note of the Bank's work under the evolution roadmap to lead the development community in rolling out innovative modalities for private co-financing of IBRD/IDA projects. Efforts such as hybrid capital, Private to Sovereign Climate Financing Investment Fund, the Private Sector Investment Lab, as well as standardization and wholesale approaches will improve the availability of capital to co-finance the Bank's projects.

We also urge the World Bank to align PCM efforts with and complement existing strategies and approaches, particularly the Cascade, as we believe that the ultimate approach to PCM is for the IBRD and IDA to focus their efforts on enabling the environment for private capital in countries' priority sectors, where IFC and MIGA could scale up investments and apply private sector solutions with the use of blended finance and upstream approach to credit-enhance or de-risk investments. Therefore, we look forward to seeing greater focus on private capital enabling work to build a pipeline of bankable projects that reflect client countries priorities, and meet evolution ambitions, this includes investment climate reform, domestic capital market development, support for financial sector development, and advancing public-private partnership frameworks.

5. Debt Vulnerabilities

The deteriorating debt dynamics for an increasing number of LICs and vulnerable MICs, and the absence of an effective global debt resolution mechanism remain a serious concern. While we welcome the recent progress in operationalizing the G20 Common Framework (CF), more needs to be done to fully realize its potential for LICs, and to work toward expanding the CF coverage to MICs. In this regard, we call upon the IMF and the World Bank to support ongoing efforts aimed at identifying key impediments to debt restructuring and institutionalizing the CF while providing capacity development and technical support to countries undergoing debt restructuring. We broadly welcome the IMF workstream on debt policies to ensure timely and flexible access to IMF resources. We also affirm the importance of Domestic Resource Mobilization (DRM) in the evolution, yet we are of the view it should be of an advisory nature and demand based.

6. Engagement on Climate Change

Addressing climate change requires a holistic approach that aligns with the Paris Agreement and subsequent COPs, and with the SDGs encompassing mitigation, adaptation, loss and damage and climate finance commitments. We stress the importance of a balanced policy mix to ensure emission reduction goals remain on track, while addressing energy security and just energy transition. This includes supporting investment in and low-emissions technologies, including abatement and removal technologies, renewable energy, and enhancing energy efficiency. Equally important, we call on IMF to step up adaption support in the form of capacity development and mobilizing financial resources, particularly for LICs with higher adaption needs, while coping with limited fiscal space and capacity constraints. We urge the IMF to advance innovative and concessional climate finance instruments. Technical assistance and support in capacity development, particularly for policymakers and regulators, must be central to our collective efforts. The upcoming COP28 in the UAE is a critical opportunity to drive agreement on how best to support delivery on existing commitments.

The WBG needs to take on a leadership role in supporting the development, promotion, financing, and commercialization of CCSU technologies, which are critical to reduce both stock and flow of emissions. This is an area where WBG support has the strongest additionality and market development potential.

7. Addressing trade restrictions and fostering energy security

The IMF's role in providing policy advice related to trade restrictions, and energy security is vital. We urge the IMF to continue to advocate for a rules-based, non-discriminatory, fair, open, inclusive, equitable, sustainable, and transparent multilateral trading system, provide intellectual and analytical leadership, and collaborate with relevant institutions such as the WTO to address the implications of trade restrictive measures particularly on food and fertilizers and those associated with the Carbon Border Adjustment Mechanism. An adequate assessment of the new industrial policies adopted by advanced economies is essential to understand their implication for and impact on our region. We also call on the IMF to continue supporting our countries in their efforts to achieve energy security and stability. This includes promoting access to affordable, sustainable, and reliable energy for all, while ensuring that IMF policy advice on energy is based on multilateral consensus and take into account individual country circumstances, distributional impact, and concerns around energy security and access.

Multiple pathways to net-zero targets should be permitted to enable flexibility and deployment of the least-cost solutions. Given the wide gap in energy access and clean cooking solutions, all energy sources (including natural gas) are needed for economic growth and sustainable development. Inclusive transitions must ensure that all can fully reap the benefits and that none has to bear the cost disproportionally.

8. Representation of Arab countries:

We reiterate our call to boost the hiring and promotion of staff from underrepresented regions particularly from MENA region. Diversity and Inclusion offers substantial benefit to the institutions and membership it serves. We remain concerned about the slow progress in achieving diversity targets, particularly for Arab countries. Equally important is retaining talents from this region by offering a clear and substantial career path including at the management level.