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Statement by the Hon. **EL MOCTAR DJAY,**
Governor of the Bank for **THE ISLAMIC REPUBLIC OF MAURITANIA**
on Behalf of the Arab Governors

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Mr. Chairman, Honorable Governors, Ladies and Gentlemen,

1. It is my pleasure to deliver this year's Arab group address to the 2018 Joint Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG).

2. Global growth is projected to strengthen further in 2018 and 2019. However, risks to the outlook are mounting amid rising trade tensions and higher interest rates from monetary policy normalization in advanced economies (AE). The recently announced tariff increases and retaliatory measures by trading partners have increased the likelihood of rising and sustained trade tensions and tariff escalation, which could derail the recovery and depress medium-term growth prospects. Tighter global financial conditions could cause sharp exchange rate movements and capital outflows from emerging markets, putting the achievement of their growth objectives at risk. The IMF and WBG should take a lead role in the international efforts to preserve and broaden the gains of global economic integration under an open, fair, rules-based multilateral trade system, by encouraging member countries to work together to resolve trade disputes in a mutually beneficial manner without raising tariff and non-tariff barriers. While policies and reforms will be needed to address the adverse impact of a less benign financing environment, the Fund should stand ready to support EMDCs facing higher financing needs to help raise their medium-term growth and enhance its inclusiveness.

3. In our region, the outlook is improving for many oil exporters in the near term, following the recovery in world prices, although medium-term growth will remain constrained by the need to continue with fiscal consolidation to rebuild buffers. Nevertheless, continued commitment to fiscal consolidation and economic diversification should help boost investor confidence and achieve stronger growth in the longer term. With respect to oil-importing countries, growth recovery is set to continue in the short term, underpinned by gains from ongoing reforms, improved domestic confidence, and a steady upswing in external demand. To meet the large needs of their population and mitigate the impact of global downside risks to the outlook, both oil-exporting and oil-importing countries are committed to accelerating structural reform implementation and move to a new growth model that promotes diversification and private sector development with a view to achieving higher and more inclusive job-rich growth, as recognized by regional policymakers at the "Opportunity for All" Conference held in Marrakesh, Morocco, in January 2018. We emphasize the need for continued constructive IMF and WBG engagement with the Arab region through appropriate and flexible financial support, along with well-tailored advice and technical assistance, based on the specific circumstances and needs of each country, which will be crucial for the design and implementation of sound macroeconomic, financial, and structural policies, catalyzing official bilateral and multilateral support, and attracting private capital. For its conditionality and advice to be effective, it is important for the IMF to undertake social impact analysis of its policy recommendations to help maintain political and social stability.

4. In many Low Income Developing Countries (LIDCs) debt levels have risen over the past decade, due to a large part to the commodity price shock and other vulnerabilities, and these countries will need to maintain fiscal prudence and improve their debt position. To this end, it is crucial that the IMF and WBG sharpen their policy advice and intensify their technical assistance to LIDCs in the areas of debt management, domestic revenue mobilization, and in improving spending efficiency to assist these countries in their efforts to contain their debt burden while making room for higher growth-friendly public investment and social programs. Structural reforms remain essential, including by alleviating infrastructure bottlenecks, strengthening the business environment, upgrading human capital, and ensuring equitable access to opportunities for all segments of society.

5. We welcome the assistance provided by the WBG and the IMF to fragile and conflict-affected states (FCS) to help restore macroeconomic stability, to build and enhance the resilience of key economic institutions and catalyze donor support. We also urge the WBG and IMF to continue supporting countries in designing recovery and reconstruction plans and programs that are able to minimize the risk of conflict recurrence, enhance social cohesion and restore confidence in institutions. We also fully support the Independent Evaluations Office's call in their recent evaluation to make the IMF's engagement with FCS more impactful, However, given the daunting challenges faced by FCS, more needs to be done, including adapting the Fund's lending toolkit to meet the needs of FCS, allowing greater flexibility in program design, improving the effectiveness of technical assistance, increasing field presence as allowed by security conditions, and enhancing incentives for IMF staff to work on FCS. For countries affected by conflict spillovers, fiscal challenges remain daunting. In countries hosting refugees notably, fiscal pressures have risen as expenditures have increased on security and basic services such as housing, health, and education to accommodate refugee influx. In this regard, we welcome the WBG innovative approaches to support these countries with concessional financing, we also support the International Monetary and Financial Committee (IMFC)'s call on the IMF to continue its efforts to assist countries in dealing with the macroeconomic consequences of large refugee inflows. The IMF should help countries to address these pressures, including by relaxing fiscal targets under financing arrangements.

6. External pressures continue to weigh on the Palestinian economy and the country's outlook has become more uncertain. The continued deterioration of the country's socio-economic environment is a major concern, and there is a growing risk that humanitarian conditions will worsen further. Persistent declines in aid in recent years have limited the resources available for investing in infrastructure and people and can impede the authorities' ability to cushion the loss of funding to schools, hospitals, and relief agencies. A lasting improvement in Palestinian growth prospects requires a comprehensive and coordinated response by the donor community, under the aegis of the IMF and WBG, to help bridge the large financing gaps, assist in building necessary institutions, and stimulate private sector development.

7. We call on the IMF to continue to pay due attention to the unique economic characteristics and constraints facing small developing states in both surveillance and program-related work. Also, the IMF should help to tailor macroeconomic and structural policies to build resilience to shocks, including climate change and more frequent natural disasters. We welcome recent steps by the IMF to increase access limits for emergency financing facilities

and instruments which will help address the large balance of payments needs arising from severe natural disasters.

8. We call upon the IMF and the World Bank 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.

9. Economic transformation in our countries calls for more private sector-oriented interventions by the WBG and other relevant institutions, with clearly defined roles for the WBG, partners and governments, and with focus on rebuilding economies, training cadres, and developing strong institutions. Indeed, the private sector can play a pivotal role in optimizing the region's vast human and physical capital and creating economic opportunities for its young and dynamic labor force. In this context, we welcome the WBG Group-wide MfD approach, and we look forward to utilizing the Cascade model to enable the introduction of reforms, foster private sector development and support entrepreneurship and innovation.

10. Through a programmatic approach, WBG can help MENA countries lay the foundation of an ambitious PPP program, by providing strategic advice, implementation support and technical assistance to enhance countries' capacity to initiate and manage PPP contracts. IFC can help with developing standardized contracts and processes, with a view to incentivizing investors and reducing transactions costs. Furthermore, IFC can crowd in more private investments through scaling up co-financing and parallel financing schemes. We also urge IFC to harness its private sector knowledge and experience to assist the MENA region with project preparation, institution building, and capital market development.

11. Energy demand and consumptions are increasing in the region and our countries are becoming important players in the effort to contain emissions growth. Capital investments are being made to create opportunities and enhance the role of Carbon Capture, Utilization and Storage (CCUS) in the power and industrial sectors. However, accelerated investments are needed to deploy CCUS in industrial processes and gas-fired power generation plants. We see scope for bolder Bank Group initiatives to advocate for, encourage the use of and finance commercialization and deployment of CCUS.

12. The importance of human capital for poverty reduction, increased productivity, economic growth, and social stability is undeniable. In this respect, we are aware that all countries in our region need to prioritize, and efficiently manage public investments in education and learning systems, development of cognitive and non-cognitive skills and delivering quality health and social services. Reforms for improving education outcomes and acquiring the skills needed by the private sector are key to attracting firms that can compete in global markets. To this end, the WBG should innovate in terms of financial instruments, policy advisory and analytical work, enhance measurement tools, and provide sufficient and in-time resources to the MENA countries to address critical challenges facing the development of human capital. Removing constraints to competition and equality of opportunity will also improve labor demand and should be reinforced by the Bank and its development partners.

13. We welcome and fully support the WBG Human Capital Project (HCP). The linkage between the HCP, the United Nations Sustainable Development Goals (SDGs) and national

strategies for social and economic development is also self-evident. All countries in our region are committed to achieving the SDGs, particularly those related to health and education. In this regard, for the Human Capital Index (HCI) to be relevant, we highlight the importance of ensuring it is flexible and that consideration is given to the varying country contexts, as well as issues of data asymmetry or lack of data. We encourage the WB to continue to examine possibilities of getting the right mix of indices in the composite measure, so that the HCI can be a credible indicator of the reality on the ground and progress can be tracked over time.

14. We believe that technology has potential to be one of the most important and transformative drivers of human capital progress in our region. We recognize the need for our countries to better use new technologies and adapt regulation to strengthen inclusive economic opportunities, enhance private initiatives and develop youth and women employability for more equitably shared growth and prosperity. We call for adequate and timely WBG support to accelerate transfer of technology and successful lessons to the MENA world, particularly those that are cost-efficient, easily accessible and promise quick-wins.

15. With 60% of the region's population using mobile phones, financial technology offers an opportunity to provide consumers with access to financial services. FinTech could address the challenges of enhancing financial inclusion, inclusive growth, and economic transformation by helping to extend financial services to large unbanked populations, and create alternative sources of funding for SMEs, while lowering the cost of borrowing. it can also contribute to financial stability by using technology for compliance and risk management and facilitate trade and remittances by providing efficient mechanisms for cross-border payments.

16. While Fintech offers significant opportunities, risks to financial integrity and consumers and investors should be carefully assessed and mitigated. We welcome the Joint IMF/World Bank Bali Fintech Agenda, which adequately addresses the questions and concerns raised by members, including in our region. We look forward to further exchanges on the issue, based on members experiences, with due consideration to our region's characteristics and needs.

17. The authorities in our region have taken steps to address the withdrawal of Correspondent Banking Relationships (CBRs), including with the assistance of the IMF, by ensuring that their systems and procedures are in line with the AML/CFT standards. However, despite the progress achieved, concerns over pullback by global banks from correspondent banking remain significant in some of our countries. We underscore the need for the IMF and the World Bank to continue engaging with various stakeholders, monitor global trends and experiences in the withdrawal of CBRs and policy reactions, and advise affected countries on how to address this issue or mitigate its impact. We support ongoing efforts to enhance the dialogue between regulators in home and host jurisdictions and among market participants. In addition, we welcome the IMF's work on Islamic financing, and look forward to further work in this regard, including on Islamic financing in the context of Fintech.

18. Financial inclusion is another important element of inclusive economic development. Promoting financial inclusion requires participation of a wide range of public and private stakeholders. Currently, some financial markets in MENA are underdeveloped and not fully harnessed to meet development financing needs. While enhancing access to finance to promote startups and SMEs is imperative for growth and job creation, SME finance in some MENA countries is restricted by the lack of conducive regulations, appropriate financial infrastructure, adequate lending capacity and tools, and productive use of collateral. Hence IFC's support of SME-focused financial institutions and equity funds is highly desirable. Moreover, working capital lines especially in illiquid markets, and risk sharing facilities, in addition to partial credit guarantees to enhance risk taking capacity, and providing capital relief via low-risk weightings would be highly welcomed.

19. Female-entrepreneurship is another key challenge, with limited access of female-led enterprises to financial services remaining a major constraint. In this context, we highly appreciate the recent Women Entrepreneurs Finance Initiative (We-Fi), which is expected to mobilize over $1.6 billion in additional funds. It is important that the MENA region benefit from this initiative.

20. We are particularly concerned that the Fund's 2020 diversity benchmarks are unlikely to be met and regret that the recruitment of nationals from our region remains below the level required to meet the 2020 diversity targets. Clearly, current policies are not providing the desired results. We call on the IMF to articulate a clear plan of action and timetable on diversity and inclusion in the context of the forthcoming Human Resource Strategy, including actionable measures and accountability at all levels in the institution. IMF management should send a strong signal about its commitment to its diversity objectives.

21. We call on the IMF and the World Bank to extend the range and depth of their engagements on Illicit Financial Flows (IFFs), in particular in support of international efforts to stop the flow of illicit funds and recover stolen assets, as well as the assistance provided to member countries in preventing the specific activities and addressing the regulatory and institutional shortcomings that give rise to illicit funds. Ongoing efforts by member countries to strengthen oversight and accountability would greatly benefit from enhanced technical assistance from the IMF and the World Bank to build capacity, particularly in the areas of identifying and preventing tax evasion and avoidance —especially relating to illegal transfer pricing—, strengthening the management of natural resources and related revenue streams with a focus on extractive industries, improving customs and border control, reinforcing administrative capacity to identify and sanction tax evasion, and fighting corruption.

22. We also urge the WBG, IMF and all partners to continue to support, leverage and scale-up partnerships for the benefit of our countries towards measurement, including data and statistics, its accuracy, and development of reliable databases and systems that can provide country-wide disaggregated data. This is not only necessary as an input to the HCI, but it is also the foundation for any studies and analyses that can be provided to our countries to identify the most relevant investment policies and measurement tools. We therefore request the WB to extend the HCP to all interested MENA countries and provide the needed customized technical assistance and financial resources towards design of appropriate

policies and approaches, developing research and strategies, and identifying actions and pertinent measurement instruments.

23. Finally, with regard to the Fifteenth General Review of Quotas at the IMF and the related quota formula review, it is important to ensure that it 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 dynamic EMDCs to reflect their growing role in the world economy, this should not be at the expense of other EMDCs. Consideration could also be given to voluntary financial contributions in allocating quota shares under the 15th Review, provided that it does not come at the expense of other EMDCs. We underscore the critical role played by the New Arrangements to Borrow (NAB) and the bilateral borrowing agreements in enhancing the Fund's firepower in crisis situations as the second and third lines of defense. It would also be crucial to protect the voice and representation of the poorest members of the IMF and those of small developing states. 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.