Statement by

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Deputy Prime Minister for Economic Affairs
Minister of Planning and International Cooperation
Yemen

On behalf of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syria, United Arab Emirates and Yemen
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At the MDG Summit two weeks ago, the global community recognized that the decade prior to the outbreak of the food and fuel, and financial crises has been a good one for development. Strong growth had enabled many countries to make significant strides toward achieving the Millennium Development Goals (MDGs) and reducing poverty. Many developing countries had also made substantial progress towards integrating into the global economy, thereby contributing to global growth, while also deriving important benefits from it. Then the crises hit, and endangered the progress that had been made, particularly in low income countries.

On the whole, however, developing countries demonstrated considerably more resilience during this global crisis, than during previous crises, despite its greater magnitude; and are recovering faster than from previous crises.

On the one hand, they entered the crisis in a far better macroeconomic position – with lower debt, deficits, and inflation, and higher reserves. They used this policy space for (in some cases, rather strong) stabilizing counter-cyclical policies, which prevented further social losses, and helped preserve domestic demand. On the other hand, many developing countries received prompt financial support from the global community, particularly the International Financial Institutions (IFIs). Having said that, there was considerable variation in the response to the crisis, that should not be ignored. Many developing countries had neither the financial resources to fund stimulus packages nor the institutional capacity to support social protection mechanisms.

Several economies received generous financing from the International Monetary Fund (IMF) to counter the losses in exports and reserves, and to bolster market confidence as the crisis spread. This was accompanied by a major revamping of all of its lending facilities to increase the flexibility of response and the amounts available to countries, including through a fundamental recasting of all of its concessional facilities. Many countries were also supported by the various financial instruments offered by the World Bank Group (WBG). The WBG increased the volume of its lending, in general, as well as targeting specifically those sectors directly related to MDGs targets, for example, health and education, with particular emphasis on countries where the achievement of such targets was uncertain. There were renewed efforts to revitalize investments in agriculture and food production through new and innovative approaches. The International Finance Corporation (IFC) continued working very closely with multilateral and bilateral IFIs to help deal with emerging private sector development challenges. The International Development Association (IDA) increased its commitments and created new facilities and initiatives, through a reallocation and front-loading of resources within its existing envelope. It further increased its country-level aid effectiveness through improving its operational efficiency, and strengthening the results-based focus of its programs. Considerable strides were made in reforming IDA’s operations in fragile states and in coordination with other donors. The Multilateral Investment
Guarantee Agency (MIGA) made some timely amendments to its Convention to ensure greater product flexibility and enhance its business development.

Looking forward, while economic growth is recovering, it is fragile and uneven, and while trade has rebounded, it remains below pre-crisis levels. Most significantly, more people are estimated to be in poverty in 2010, than before the crisis, and more people will remain in poverty by 2015, than before the crisis.

It has become clear that integration into the global economy makes all countries more vulnerable to exogenous shocks. Therefore, **significant work remains to be done** – by developed and developing countries, and the global community – to reduce the likelihood of major shocks in the future, and to equip countries to deal more effectively with those shocks that will occur.

*Economic recovery, particularly in those developing countries* that were negatively affected by the global crisis, requires the prompt resumption of sustained growth, essential to both overall development and poverty reduction. This, in turn, will require prudent fiscal policies, including enhanced mobilization of domestic revenues through improved tax collection and administration, greater efficiency in expenditure management, and careful management of the public debt. Rebuilding policy space would be an important source of resilience in a dynamic and volatile global environment. For many developing countries, moreover, accelerating and sustaining growth will require scaling up their investment in the economic infrastructure and the productive sectors, especially agriculture to ensure food security.

The resumption of *growth in the developed countries* is the fundamental prerequisite of global recovery. This would underpin the expansion of trade, encourage foreign direct investment, and increase remittances—the major sources of the funding necessary for developing countries to accelerate their growth. Trade has been, thus far, the most powerful engine of recovery from the present crisis and remains a vital source for future growth. Relxing barriers to imports from developing countries and providing them with full access to markets in the developed countries is essential. This underscores the urgency for the prompt and ambitious completion of the Doha Development Round.

Given the financial and institutional constraints facing developing countries, *the continued and enhanced support of the IFIs is crucial*. Ensuring that the World Bank Group (WBG) is equipped to help countries confront the development challenges of the next decades will require a more innovative and results-oriented institution. In this regard, the implementation of the Post-Crisis Directions (PCD) framework and complementing reform agenda will enhance selectivity and development results. Further focus on building up safety nets, resilient livelihoods, bolstering green growth, scaling up investment in infrastructure and agricultural productivity, and promoting social development are critical. Progress has been made on the development of an integrated results and performance framework for both IBRD and IDA. This framework needs to take into account the PCD priorities. While decentralization can help improve development results through enhanced country level focus, further action would require a robust analysis of the benefits and costs - organizational, operational, and governance - associated with implementation.

**Further work is required** for improving the communication and usability of results by all stakeholders, and helps demonstrate the development impact of the Bank’s work across sectors and countries. The establishment of the four bodies that will oversee and coordinate the implementation of the internal reform agenda is a step forward. There is also great potential to further enhance knowledge transfer and learning from results and innovations, both within and across the World Bank Group, and externally. The Results Based Lending Instrument (RBL) promises to be an innovative approach to lending that will help achieve greater harmonization within the international donor community. Greater efforts should be made to communicate the details of this instrument.
Similar reforms are needed to enhance IDA’s flexibility in responding to country needs during and after crises. This includes improving IDA’s current instruments to make them more effective and efficient. Country ownership and partnerships need to be further strengthened, and more needs to be done to scale up resources to fragile states and small states and mainstream fragile state issues into IDA operations.

Going forward, the participation of the private sector in this process is vital, through stronger collaboration and coordination with MIGA and IFC. For IFC to continue its leading role in promoting private sector development as an engine for sustainable growth, job creation and poverty reduction, it needs to focus on developing innovative new business lines and products that would leverage its limited resources for maximum additionality and development impact. Swift response to the urgent needs of the financial sector in Central Europe which was severely impacted by the current global financial crisis.

The rapid and effective reaction of the Bank and the Fund to the crisis, and the reforms they implemented, demonstrate their responsiveness to the needs of the membership, and their central role in the global safety net. The next step is to redefine the role of these and other multilateral institutions in the rapidly evolving landscape of development finance. This effort must take due account of comparative advantages, complementarities across institutions and an appropriate division of labour. This must also reflect the rising importance of non state actors, in the provision of development finance, a particular concern in an environment of declining IBRD lending. The Bank can play a critical role in facilitating an improved coordination across all sources of development finance, and in helping countries benefit from the diversity of these sources.

For fifty years, IDA has played a vital role in the global aid architecture – as one of the largest and the most predictable source of official financing available to low-income countries. During this period, twenty seven IDA recipients, with over one third of the world’s population, have experienced such marked and sustained economic growth that they have graduated from being IDA recipients, and many of them have now returned to IDA as donors. This is the ultimate proof of IDA’s contribution to development. IDA16 is the final replenishment before the 2015 target for achieving the MDGs, and thus, perhaps the most important replenishment of all. We must ensure that we rise this challenge.

Achieving the MDGs is a global commitment and responsibility. The recent financial crisis showed the importance of having international financial institutions capable of responding adequately to emerging unforeseen demands. Likewise, the new challenges of the post-crisis era will require institutions capable of meeting the membership’s evolving demands. The global community has already demonstrated the value they assign to these institutions through the recent capital increases. It is now time to similarly support IDA through a generous replenishment to ensure that those countries that were most negatively impacted in the recent crisis will recoup some of the gains made in the pre-crisis era towards reaching the MDGs.

Let us ensure that they can do that.