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Governor of the Fund for the **ISLAMIC REPUBLIC OF MAURITANIA**
on Behalf of the Arab Governors

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Assessing the Regional Economic Outlook

Most countries in the Arab World continue to demonstrate resilience in the face of global and regional headwinds, but others face complex challenges. The region's growth is modest but positive, with a GDP growth forecast of 3.1% in 2025. However, the outlook remains vulnerable to significant downside risks arising from global economic and policy uncertainties and conflict and post-conflict situations, underscoring the importance of strengthening policy buffers and accelerating necessary structural reforms. In this context, carefully tailored policy advice, targeted capacity development, and adequate financial support remain critical to help countries balance macroeconomic stability with the need to sustain investments that enhance resilience and promote inclusive growth while addressing structural challenges.

Supporting Fragile and Conflict Affected States (FCS)

We strongly condemn the violent aggression against Palestine in blatant violation of international law, which has inflicted severe humanitarian suffering, destroyed economic and social assets and livelihoods, and threatened regional stability. In this dire context, we call on the international community to guarantee immediate and unconditional access to humanitarian support to the population in Gaza, especially food, water, electricity, and medical assistance. At the same time, we welcome the growing international recognition of the State of Palestine — a historic step that reflects the global momentum for justice and statehood — underscoring that the time is long overdue for the International Monetary Fund (IMF) and World Bank Group (WBG) to admit Palestine as a member state and strengthen its ability to respond to urgent needs. We condemn the recent attack on Qatar, which further exemplifies the escalating risks to regional stability. We also denounce the targeting of civilian infrastructure in Lebanon, Syria, and Yemen, which has resulted not only in widespread destruction but also in the tragic loss of civilian lives.

We stress the importance of a strong commitment from both the IMF and WBG to remain engaged with FCS based on need and urgency rather than political considerations. Financing for development, balance of payment support, and capacity development must remain anchored in economic and social needs particularly for low-income and fragile states in the region, where fiscal space is constrained and humanitarian needs are acute. A principled approach is essential to preserve the trust of member countries and to ensure that assistance reaches those most in need, including HIPC graduates, such as Somalia, which continue to grapple with acute fragility, constrained fiscal space, and extensive reconstruction needs.

Many countries in our region continue to face humanitarian crises and fragility, exacerbated by institutional capacity challenges, high debt burdens, constrained policy space, and drastic cuts to ODA. In addition, uneven country access to different layers of the Global Financial Safety Net (GFSN) exposes countries in our region to different risks, for example, FCS have severely limited access to any of the layers, which does indeed pose a challenge. The situation in Lebanon, Somalia, Sudan, Syria, and Yemen, illustrates the severe and lasting macroeconomic, institutional, and social consequences of fragility and conflict, with attendant risks of fragmentation and adverse cross-border spillovers. We, therefore, call on the IMF and the WBG to enhance cooperation with other multilateral partners to swiftly operationalize tailored support to FCS. The IMF's catalytic role in helping mobilize additional financing for reconstruction and other development expenditures is also important. Regional capacity development centers need to be adequately funded, and coordination with development partners and regional financial arrangements (RFA) strengthened. Analytical assessments of the macroeconomic impact of declining ODA and emerging trade patterns will also be essential to tailor responses.

We expect that the WBG Fragility, Conflict, and Violence (FCV) Strategy will be operationalized to enhance support to countries affected by fragility and conflict and incorporated into the IFC 2030 agenda as well as MIGA's work program. Country reform ownership must remain central, and the public-private solutions must be prioritized to strengthen the private sector's resilience and mobilize the much-needed capital.

The WBG should also maximize opportunities that are emerging in post-conflict countries. We warmly welcome Syria's re-engagement with the WBG after nearly 40 years, made possible by the arrears clearing grants by Saudi Arabia and Qatar. Establishing a comprehensive WBG reconstruction and recovery framework would enable a more coordinated, proactive, and responsive approach to recovery and reconstruction across the region.

IDA remains a lifeline for many low-income countries, providing critical concessional resources to support development, protect the most vulnerable, and respond to crises. IDA21 should build on the strong foundation of IDA20, emphasizing impact and measurable outcomes.

Navigating Global Economic and Policy Uncertainty

The global economy remains at a critical juncture, characterized by heightened policy and trade uncertainty, protracted conflicts, and the growing risk of geoeconomic fragmentations, weighing on global growth and stability. We reaffirm the IMF's crucial role in monitoring trade policies and assessing their balance of payments implications. We encourage the Fund to deepen its surveillance in these areas in order to provide context-specific and analytically grounded advice to assist countries safeguard macro-stability and manage associated risks effectively. Additionally, climate change, energy transition, and food security are deeply interlinked challenges with direct macroeconomic consequences. We call on the Fund and the Bank to intensify their analysis and policy advice on how these interdependencies affect external stability, fiscal sustainability, and social protection. Enhancing collaboration with the WBG will be vital to help countries manage these transitions, safeguard energy security, and strengthen resilience against recurrent food and water shocks.

Ensuring Debt Sustainability

Debt vulnerabilities continue to pose substantial risks to many countries in the region, constraining fiscal flexibility and weakening growth prospects. Persistently tight global financial conditions have increased debt-servicing burdens, complicated fiscal management, and threatened social stability. We appreciate the IMF's continued engagement in the sovereign debt resolution through the G20 Common Framework (CF). As the most inclusive platform for official creditor coordination, CF should remain the primary channel for debt treatment. In this regard, we welcome efforts to further strengthen the implementation of the CF, including through the engagement of the Global Sovereign Debt Roundtable. The IMF's ongoing initiatives on debt transparency and capacity building through regional centers remain critical. Furthermore, we welcome the joint IMF-WBG three-pillar approach as an important framework for addressing liquidity challenges. The ongoing review of Low-Income Country Debt Sustainability Framework (LIC-DSF) presents an excellent opportunity to further strengthen it.

Ensuring timely and adequate access to concessional financing remains essential. We therefore urge members who have not yet secured the necessary domestic approvals for new subsidy commitments to do so promptly to enable full implementation of the recent reforms to the Poverty Reduction and Growth Trust. We also call for an expanded coverage and access under the Resilience and Sustainability Trust to strengthen economic resilience, support diversification, and foster job creation. The upcoming Review of Program Design and Conditionality presents a critical opportunity to strengthen the effectiveness of Fund-supported programs by revisiting and modernizing the guidelines on conditionality. It should also serve to ensure evenhandedness in program design, access levels, and conditionality. We encourage greater flexibility to address the specific needs of FCS and SDS, including through preventive engagement, tailored capacity development, and longer-term support.

We call on the IMF to activate its existing emergency instruments, notably RFI, and RCF to provide timely and effective support for LICs and FCSs, and to continue providing guidance that appropriately balances the imperative of economic stability with the equally vital objective of employment and growth, particularly considering country-specific circumstances. Although global inflationary pressures have moderated, significant risks persist from volatile capital flows, negative impacts of exchange rate fluctuations, and uncertainty over the global monetary policy outlook. The Fund should continue to actively assist countries in mitigating these risks by enhancing surveillance and providing targeted technical support. The Fund’s forthcoming Review of Financial Sector Assessment Programs provides a timely opportunity to enhance macro-financial analysis, including emerging risks related to financial innovation. We also call on the IMF to intensify its support for strengthening regulatory frameworks for fintech, central bank digital currencies, and cross-border payments, particularly through enhanced surveillance and tailored capacity development, to help countries leverage financial innovation while safeguarding stability.

The upcoming Comprehensive Surveillance Review presents an important opportunity to reinforce the Fund’s core mandate covering fiscal, monetary, financial, structural, and exchange rate policies. The review should emphasize analytical rigor in macro-financial integration, external imbalances, and cross-border spillovers. Surveillance should not extend into new areas unless there is a clear and direct link to balance of payment issues, with macro-criticality that is aligned with the Fund’s core expertise and comparative advantage.

Unlocking Private Sector Potential

We underscore the central role of the private sector in advancing sustainable growth, creating jobs, and driving innovation, including through stronger support for SMEs and startups, which are key drivers of job creation and innovation in the region. Mobilizing private capital at scale will require innovative approaches, supported by blended finance and de-risking instruments. We particularly welcome the WBG’s new Guarantee Platform that consolidates guarantee products and expertise across the World Bank, IFC, and MIGA. This Platform can serve as a key instrument for mobilizing capital for our region, where several countries are facing fiscal pressures and elevated debt burdens. We encourage MIGA to further broaden its risk tolerance and continue product innovation.

We welcome IFC’s recent launch of the "originate to distribute" securitization program and congratulate management for a successful inaugural issuance. We see this as a significant advancement in development finance, as this tool will not just help mobilize more resources but may also contribute to the deepening of capital markets in emerging markets and developing economies, including the Arab World. It would also be important to learn from IFC’s experience and assess the feasibility of securitization by IBRD.

Advancing Climate and Energy Solutions

The WBG climate action should be guided by the principles and provisions of the Paris Agreement, including the principle of common but differentiated responsibilities (CBDR) and respective capabilities. Support to client countries in the climate space should be grounded in respective Nationally Determined Contributions (NDCs) under that agreement. We stress the importance of a balanced approach between adaptation and mitigation, with adaptation accounting for the majority of climate finance in low-income countries. On-demand mitigation support should be pursued in ways that are equitable, feasible, and aligned with the countries' development objectives. Equally important is the integration of response measures into the work of the WBG, to ensure that climate action avoids unintended socio-economic consequences and instead supports just, inclusive, gradual and sustainable transitions.

We fully support the renewed WBG approach which includes natural gas, nuclear energy, and carbon capture and storage technologies in its energy sector strategy, and we look forward to fruitful results soon. We also stress the importance of expanding global tree cover as forests are a natural, lower cost option to absorb carbon emissions.

Tackling the Youth and Jobs Challenge

The Arab region faces pressing job challenges, with population growth outpacing job creation. The number of young people in MENA who are not in education, employment, or training is projected to rise from 23 million in 2023 to 27 million by 2033, culminating in an urgent opportunity to unlock the potential of a new generation. Per capita income growth in MENA lags other regions. This low growth is tied to the private sector's inability to create enough formal jobs. In addition, digitalization stands out as a transformative force with immense potential to address the region's job challenges. Expanding affordable digital infrastructure and fostering digital literacy are essential to enable young people to access new employment opportunities and nurture entrepreneurship. The WBG support is needed to help countries integrate digitalization into labor market strategies to prepare the workforce for the jobs of today and tomorrow.

The WBG is well-placed to help address these issues through an integrated approach that tackles critical areas, such as infrastructure and human capital deficits, strengthens governance and the business environment, and helps mobilize private capital via the WBG institutions. The WBG can help create more and better jobs by formulating and adopting a dedicated MENA Jobs Strategy.

Deepening IMF/WBG Engagement and Regional Representation

Enhanced WBG coordination with regional institutions, including the Arab Monetary Fund (AMF), Islamic Development Bank (IsDB), Arab Fund for Economic and Social Development, Islamic Financial Services Board, Arab Coordination Group (ACG) and African Development Bank (AfDB) will help strengthen coherence in development support and promote optimal use of collective resources, avoidance of duplication, enhancing complementarity and maximizing development impact.

We welcome the IMF's and the WBG's strengthened regional presence through the regional office in Riyadh, the Center for Economics and Finance in Kuwait, and the Middle East Technical Assistance Center in Beirut, IFC's regional office in Dubai, and the establishment of joint WBG offices in Muscat and Doha. Moreover, the February 2024 Al-Ula Conference for Emerging Market Economies showcased the value of policy dialogue around EMDEs' circumstances in fragile settings, and we look forward to the second edition in February 2026. This expanded presence will create opportunities for deeper dialogue, improved coordination, and more responsive support tailored to regional priorities.

Finally, we must point out that progress toward improved representation of Arab nationals at the IMF and WBG, including in senior leadership and decision-making roles, remains limited and falls short of what is fair and necessary. We, therefore, urge tangible measures to ensure equitable recruitment and career progression opportunities for Arab staff, thereby enhancing the effectiveness and legitimacy of engagement and IMF-WBG policy advice.