

Remarks at the Arab Economic Summit

As Prepared for delivery

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Kuwait
January 19, 2009

Your Highness Emir Sabah al-Ahmad al-Sabah. Your Majesties, Highnesses, Excellencies. Mr. Secretary General of the Arab League. Al-Salamu Alaikum. (*Peace be upon you*).

Thank you for the invitation to participate in the first Arab Economic Summit. It is a special privilege. I wanted to be here personally to support your effort and to listen and learn from you.

I am particularly pleased to return to Kuwait. It was in Kuwait, when I was speaking at the GCC Banking Conference in 2007, that I received a call to return to Washington to discuss my nomination to head the World Bank Group. So I feel Kuwait launched me to my present post.

During my service as U.S. Trade Representative in earlier years, I spent considerable time with many of you and your countries, because I shared your vision of employing trade to link your economies to wider opportunities, deeper development, and greater growth. I know this is a region with a great history of trade and commerce, which you are committed to restoring and expanding.

I have seen how Arab leaders have taken charge of defining the region's priorities, identifying the challenges through various declarations – most notably the “Statement on the Process of Development and Modernization” adopted by the Arab Summit in Tunis in 2004. Your priorities – with their emphasis on economic, social, and human development; the alleviation of poverty and illiteracy; protection of the environment; creation of job opportunities and health care in the Arab World – take on an even greater importance today, as we face a global crisis.

Your priorities offer important input to the work of the G-20, whose leaders meet in London this April.

As part of the global response to these dangerous times, I will be urging the G-20 to support a Vulnerability Fund to assist developing countries that cannot afford bailouts and deficits.

This Vulnerability Fund could help meet 3 critical needs. First, poorer countries need safety net programs aligned with their implementation capacity. Second, investment in infrastructure projects that can create jobs while building a foundation for future productivity and growth. And third, finance for small and medium-sized enterprises, so as to help the entrepreneurial private sector create the best safety net: jobs.

The World Bank is ready to assist, through increasing IBRD lending for middle-income countries by \$100 billion over 3 years, and fast tracking the \$42 billion of IDA grants and no-interest loans for the poorest countries. Through our private sector arm, IFC, we support private investment, recapitalize small banks, assist infrastructure, and scale up trade finance and technical assistance to the private sector. Through our guarantee facilities at MIGA, we can mitigate risks, thereby lowering costs and adding confidence to the private sector.

The Arab World must be part of this global response to crisis. It is a region rich in its natural resources, but more importantly in history, culture, and human potential. It is a region that can – and should – play a larger role in the global economy.

This is necessary if the Arab World is to offer greater opportunities to its own citizens – especially young people. But it is also necessary if international partners are to make progress on shared challenges, from assisting fragile and post-conflict states, to promoting peace, to addressing climate change.

For this reason, shortly after assuming office, I identified working with partners to strengthen development and opportunity in the Arab world as one of the six strategic themes for the World Bank Group.

For too long, the Arab World has been poorly integrated into the global economy, other than through oil. Yet your countries – like all others – are feeling the impact of the global crisis. We can see the effect on government revenues and investment, international trade, consumer confidence, foreign direct investment, and perceived risks and uncertainty by domestic investors. In the Arab World – as elsewhere – the financial crisis that grew into an economic crisis is now becoming an unemployment crisis, and may become a human crisis.

But the challenges facing the Arab World did not start with today's trials.

Job creation has been a long-standing challenge. Unemployment in the region is high – 14% of the labor force on average, higher than all other regions except Sub-Saharan Africa, and more than double the world average of 6.7%. The unemployment challenge particularly affects young people: youth unemployment is more than twice the overall unemployment rate. Unemployment rates are some 30% higher for women, with a female participation rate in the labor force of only 31% – the lowest in the world.

This has to be linked to education. The quality of education in the Arab World has simply not kept up with the needs of the modern economy. Education systems do not equip students with the skills that they need. Illiteracy remains twice as high as in East Asia or Latin America.

The Arab World must provide meaningful employment to a growing workforce – and these jobs have to come from the private sector. But private sector growth in the region is impeded by barriers to entry and lack of competition, caused by unequal, discretionary, and often preferential arrangements. Improved public sector and corporate governance can help open the door to greater opportunity for more people who want to work and build.

To create jobs, especially for young people, Arab leaders know they need to diversify economies beyond traditional sectors of public sector employment and natural resource extraction; they need to reform education systems; and they need to pursue better trade integration to take advantage of the global market – not just for oil, but for a range of goods and services. Weak regional integration and water scarcity are some of the other key challenges facing the region.

The World Bank Group wants to partner with the Arab World, and stands ready to support your efforts to address these challenges. We are committed to working with the region so that it can truly benefit from inclusive and sustainable globalization.

The Arab World Initiative that we launched last year can support the region's global and regional integration by sharing successful experiences and partnerships, and identifying solutions to current and future challenges. In our first year, we increased lending to Arab countries to \$1.8 billion from \$1.2 billion, and IFC boosted its private sector investments to \$1.2 billion.

Equally important, we have launched new projects to advance reforms, models of development, and measures of effectiveness.

In the West Bank and Gaza, the Bank Group is assisting Palestinians by providing support in the areas of public sector governance, water and sanitation, municipal development, health and education, social service delivery, and cash transfers to poor and vulnerable families. IFC, our private sector arm, promotes investment in the banking sector, industrial estates, telecom, and tourism, and is working with partners to help finance affordable housing for 30,000 middle- and low-income Palestinian families – a project that can contribute to the broader goal of renewing economic growth in the region.

I would like to add a personal note: Like all of you I have been moved by the tragedy that has befallen the people of Gaza. Most of all, the children, who seem to always bear the brunt of the conflict. I have been

in touch with Josette Sheeran, the Executive Director of the World Food Program and others to get first hand accounts and to see how we can support their humanitarian appeal. I will meet with President Abbas today to see how the World Bank can help.

We stand ready to support the international community in Gaza – as well as the West Bank – once the situation stabilizes and allows us to fully resume our development mission.

We have made strides working together on food security and malnutrition in the face of the sharp rise in food prices last year. I would like to recognize in particular Saudi Arabia's generous contribution of \$500 million to the World Food Program.

The World Bank is currently working with the Abu Dhabi Food Control Authority to help build a national food strategy program, and IFC, has been working with the private sector in Dubai, Cairo, and Riyadh to identify investments in agriculture production and supply chain logistics projects, which may offer promising opportunities for South-South cooperation. Our new rapid financing facility assisted Djibouti, Somalia, Southern Sudan, West Bank and Gaza, and Yemen.

While food prices have now declined, many factors underlying the volatility in food prices appear here to stay – and as the largest importers of food, Arab countries are more exposed than others to severe swings in food prices. The World Bank Group is ready to assist countries in the region to improve food security in a variety of ways.

We are also working closely with the Arab, Islamic, and regional Development Funds and Banks on the “Energy for the Poor” initiative launched by Saudi Arabia's King Abdullah last June. This initiative will help the poorest countries meet their energy needs in efficient and sustainable ways. It offers an excellent opportunity to forge a new and effective partnership with the Arab World, with shared responsibility for practical, tangible results.

Yet the Arab World can play a bigger role at the global level.

First, we can advance a development partnership and South-South cooperation. For almost 50 years, Arab societies have been at the forefront of giving development aid. More recently, development aid has not been commensurate with the region's ability and past generosity. We believe we can work with you to connect aid to your objectives, while achieving greater effectiveness and recognition.

Second, we need to assist with expanding social and economic opportunities in countries within the region or neighboring it.

And third, climate change. The Arab World has been at the receiving end of climate change, with challenges such as desertification and water scarcity. The World Bank can assist.

While Arab and Islamic funds, as well as Sovereign funds, continue to play an important role in providing development assistance and making sound equity investments, there is significant untapped potential for these institutions and for the Bank to work together.

We hope to strengthen our partnership with Arab and Islamic financing agencies: A partnership that builds on the work we are already doing together, and recognizes comparative advantages of different donors. A partnership that achieves real results – for example with the Bank acting as a broker for combining different funding sources and exploring innovative financing of public-private infrastructure.

The economic and social importance of peace in this region is paramount. We need a virtuous cycle of peace, prosperity, and integration – none of which can be achieved without the others.

Of course, the responsibility for defining the region's priorities must lie first and foremost with the region itself.

At the Bank Group, we are ready to work in partnership with you to achieve these priorities. With effective, accountable institutions; strong support for the business environment; world-class education; full participation of women in society and the economy; and sustainable management of scarce water resources, the region is ready to contribute to, as well as benefit from, an inclusive and sustainable globalization.

Thank you for this opportunity to be with you.