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on behalf of the Arab Governors

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The Arab region is at a defining juncture. Its strategic location, natural resources, and young population provide a strong foundation for faster growth, job creation, and broader economic opportunity. As a major hub for global energy, logistics and trade, the region's trajectory also has far-reaching implications for the world economy. Yet sustainable development and growth depend above all on restoring and safeguarding peace, stability, and security. The ongoing conflicts have exacted a heavy human and economic toll across the region. A swift end to these conflicts is critical to preventing further loss of life, damage to infrastructure, trade routes, and livelihoods, as well as to creating conditions conducive to recovery, reconstruction, investment, and sustainable growth. Looking ahead, unlocking the region's full potential will require country-led reforms, stronger institutions, deeper regional integration, a dynamic private sector, and sustained support for recovery and reconstruction in fragile and conflict-affected situations (FCS), with the WBG and IMF playing a critical role in supporting these efforts within their respective mandates.

We therefore call on the World Bank Group (WBG) and the International Monetary Fund (IMF), in accordance with their respective mandates and in a complementary manner, to use their financing, knowledge, and convening power to support country-owned development agendas with a clear focus on macroeconomic stability, recovery, job creation, debt sustainability, and inclusive growth. Our overriding priority is to ensure that institutional support translates into timely, flexible, and tangible results at the country level, particularly for countries affected by conflict, fragility, and severe financing constraints.

1. **<u>Supporting Macroeconomic Stability, Resilience and Inclusive Growth.</u>**

We call on the IMF to strengthen its surveillance, spillover analysis, and policy advice with a greater focus on transmission channels most relevant to our region. For many Arab countries, war spillovers, infrastructure damage, refugee inflows, disruptions to trade and shipping routes, and energy and food price volatility are having significant asymmetric impacts. More broadly, geopolitical fragmentation has become a first-order driver of macroeconomic risks, contributing to heightened volatility, supply disruption, fragmented trade and investment flows, and tighter fiscal constraints, particularly for EMDEs, Low-Income Countries (LICs) and Fragile and Conflict-Affected States. These developments are complicating macroeconomic analysis and policy design, while amplifying political economy challenges and weakening the traction of reforms. Country experience demonstrates how social pressures, elevated inflation, and fragile public trust can undermine reform implementation and, in some cases, lead to policy reversals. In this context, surveillance should remain candid, evenhanded, and grounded in country circumstances, while providing practical guidance in an uncertain environment. We welcome the completion of the Comprehensive Surveillance Review and look forward to the implementation of reforms that make Fund advice more focused, relevant, operational, and implementable. Bilateral and multilateral surveillance should also be better integrated, with clearer prioritization of the reforms and institution-building needs most relevant to country circumstances, including in Fragile and Conflict States and middle-income countries, while strengthening analysis of the external spillovers and transmission channels that matter most for the region. Article IV consultations should draw more systematically on FSAP findings, risk analysis, and capacity development priorities, with recommendations clearly prioritized and tailored to implementation capacity. Scenario analysis and external communication should be carefully calibrated in market-sensitive environments.

We call on the World Bank Group and the IMF, within their respective mandates, to respond urgently to the combined pressures facing frontline host and transit countries. Disruptions to regional supply chains and strategic maritime corridors are raising transport and import costs, weakening economic activity, and putting macroeconomic and fiscal resilience at risk. Recognizing the significant effect of the current global energy disruptions in 2026, we reaffirm the importance of secure, resilience, and uninterrupted energy flow, including safe navigation and transit passage through international water and the security of critical infrastructure, as essential to global economic stability and energy security. These shocks are compounded by refugee inflows and the resulting pressure on public services and budgets. We urge the institutions to provide rapid and additional support, including grants and concessional financing where appropriate, to meet fiscal needs, sustain essential services, and strengthen the resilience of regional logistics infrastructure.

The Fund's financing and program engagement must remain timely, flexible, and responsive. Many countries are balancing difficult trade-offs between maintaining macroeconomic stability, rebuilding policy buffers, advancing critical reforms, responding to climate related shocks, and preserving essential development and social spending while protecting vulnerable groups. In this context, it is essential that Fund-supported programs take into account country-specific circumstances and be anchored in realistic macroeconomic frameworks, strong country ownership, and well-prioritized conditionality. To this end, we welcome the Review of Program Design and Conditionality and look forward to the implementation of reforms that strengthen the realism, adaptability, and evenhandedness of Fund advice. Conditionality should remain focused on macro-critical measures, while considering implementation constraints, social considerations, and political economy realities. Fiscal adjustment, where needed, should be growth-friendly and carefully calibrated to safeguard priority social and development spending. Caution is warranted against excessively front-loaded adjustment paths that could undermine growth-enhancing investment, weaken reform ownership, and reduce the social acceptability of reform efforts, especially in low-income, fragile, and conflict-affected countries. Where shocks materially affect financing needs or reform trajectories, the Fund should remain flexible and respond pragmatically through recalibration, rephasing, access augmentations, emergency financing where appropriate, and timely consideration of new or successor program requests.

Debt vulnerabilities remain a major concern for several vulnerable Arab countries. We appreciate the efforts to strengthen the G20 Common Framework and the work of the Global Sovereign Debt Roundtable. While debt treatments ultimately depend on debtor-creditor processes, the Fund and the World Bank have important roles to play in strengthening debt sustainability analysis, improving transparency, supporting creditor coordination, and helping promote orderly and timely outcomes. We welcome the review of the Low-Income Country Debt Sustainability Framework (LIC-DSF) and the progress made in modernizing the framework to address weaknesses and improve realism, clarity, and policy relevance, while avoiding unnecessary procyclical effects. Debt sustainability assessments should also avoid unduly constraining productive investment essential for growth, resilience, and long-term debt-servicing capacity. Many vulnerable Arab countries and low-income members face elevated financing needs amid tighter global financial conditions, high debt-service burdens, and declining official development assistance. As such, providing timely and adequate concessional financing while preserving the self-sustained lending capacity of the Poverty Reduction and Growth Trust (PRGT) remains a priority. More broadly, an adequately resourced Fund, working alongside regional financing arrangements, Arab financial institutions, multilateral development banks, and other partners, is critical to maintaining confidence during periods of heightened uncertainty.

Capacity Development (CD) and technical assistance (TA) should remain central to IMF and WBG engagement with our region, particularly in areas where implementation capacity is the binding constraint on reform. CD should be well-integrated with IMF surveillance and lending, focused on the Fund's core areas of expertise, and underpinned by stronger prioritization, strategic alignment and rigorous impact measurement. We underscore the importance of the timely, demand-driven, and adequately resourced delivery of CD. In addition to headquarters provided CD, the role of regional centers, METAC, AFRITAC-South, and CEF remain important channels for delivering practical, country-tailored support and strengthening policymaking and institutional capacity across Arab countries. The IMF Regional Office in Riyadh has a broader role in strengthening the region's engagement and fostering constructive dialogue. We look forward to further leveraging its role, including facilitating capacity development where needed. We also call for the Fund's thematic funds to maintain an appropriate focus on the region and ensure that their priorities and resources adequately reflect its evolving needs. Strengthening institutional capacity will also require expanding the role of WBG technical assistance in delivering timely, demand-driven support, while systematically linking knowledge products, analytical work, and global expertise to policy reforms and operational programs.

2. **<u>Advancing Recovery, Job Creation, and Private Sector-Led Growth</u>.**

We urge the WBG and other partners to enhance support for FCS and for economies hosting large refugee populations. Recovery and reconstruction efforts in FCS should move beyond emergency response toward nationally-led initiatives to restore livelihoods, create jobs, and lay the foundations for sustainable and resilient development. Support should therefore combine financing with sustained institution-building and implementation support tailored to country capacity. We call for the operationalization, by 2027, of a more integrated and ambitious approach under the One WBG Recovery and Reconstruction Playbook. Such an approach should underpin recovery assessments and nationally owned recovery plans aimed at restoring essential services, rebuilding critical infrastructure, and reviving economic activity. It should also make full use of IDA, IBRD, IFC, and MIGA financing and risk-sharing instruments to mobilize private and public investment for reconstruction. Support from the IMF and the World Bank Group should remain sustained, well-coordinated, and people-centered, protecting essential services and livelihoods while linking crisis response to nationally owned recovery and reconstruction efforts that foster job creation and long-term resilience. Regional financing arrangements and partnerships with other development partners should build on comparative advantages, strengthen coordination, and avoid fragmented support. Against this backdrop, we encourage an interim review of the Fund's Fragile and Conflict States Strategy to ensure that it remains responsive to the rapidly evolving challenges and needs of fragile and conflict-affected members.

Investment in Arab countries should concentrate on the foundations of resilience and productive growth. Greater emphasis is needed on energy, water, and food security as well as digital infrastructure and services. It is also important to ensure that WBG strategies, programs and initiatives such as Mission 300, AgriConnect, SkillUp, Health Works, Water Forward, Metal and Minerals, and AI implementation plans, translate into tangible country-level results. We also encourage continued contributions from the WBG and IMF to advancing the SDG 6 Implementation Agenda, a key mandate of the 2026 UN Water Conference, to be co-hosted by the UAE and Senegal in Abu Dhabi in December 2026. Given the centrality of water to the Arab region's development, stability, resilience, and economic transformation, strengthened engagement by the WBG and IMF in the water sector and water-food-energy nexus areas will be essential to sustain long-term growth, resilience, and development objectives throughout the region.

IFC and MIGA should scale up private sector solutions across the Arab region. The implementation of the IFC 2030 Strategy, including the IFC Micro, Small, and Medium-sized Enterprises (MSME) Strategy should be anchored in clear and ambitious regional targets across the Strategy's country level reforms, trade finance, risk-sharing instruments, and engagement in FCS. It should also provide practical support to women- and youth-led enterprises. Expanding the Strategy's entrepreneurial centers in Algeria and Egypt to other countries in the region would further help unlock opportunities for job creation and economic renewal. We also encourage the WBG to deepen its support for regional economic integration and cross-border connectivity, including investments in logistics, energy networks, digital infrastructure, and trade facilitation, given their central role in fostering growth, resilience, and long-term development. We encourage the WBG to prioritize scalable cross-border projects and strengthen coordination with Arab and regional financial institutions to accelerate their preparation and financing across the region.

3. **Leveraging Digital Transformation, Knowledge, and Human Capital**

WBG and IMF must work with Arab economies to navigate structural transformation shaped by artificial intelligence, digitalization, evolving trade patterns, and emerging financial sector risks. These shifts present significant opportunities to boost productivity, advance diversification, expand trade and regional integration, and improve public service delivery. At the same time, they introduce cybersecurity, financial, and cross-border risks that require careful policy attention. We welcome the Fund's growing work in these areas including through the FSAP Review and encourage practical policy advice and capacity development tailored to the diverse circumstances of Arab economies, including middle-income, low-income, fragile, conflict-affected, and vulnerable capacity-constrained members.

We encourage the WBG to deepen its support for digital transformation by scaling up investment in affordable and resilient digital infrastructure, institutional capacity, digital skills, and knowledge sharing. The Riyadh Knowledge Hub could serve as a regional platform for peer learning and knowledge exchange, helping countries adapt proven solutions, manage emerging risks, and scale successful innovations.

We call on the WBG to place digital inclusion at the center of its engagement by expanding access to digital services, platforms, finance, skills, and markets for women, youth, rural communities, MSMEs, and vulnerable groups. This should be complemented by stronger investments in workforce readiness, including vocational training, apprenticeships, reskilling, and transition programs, and private sector-led skills development initiatives aligned with emerging labor market needs.

4. **Strengthening the Business Environment and Mobilizing Private Capital for Job Creation**

The Bank and Fund must support targeted reforms to strengthen competitiveness, improve the business environment, facilitate trade and investment, and deepen domestic capital markets. IFC and MIGA should complement these reforms by scaling up private sector solutions across the Arab region, including in FCS. The WBG should set ambitious regional private capital mobilization targets; expand local currency, equity, and quasi-equity financing; deepen domestic capital markets; and support competitive industrial policies. Regional investment platforms, supported by guarantees, blended finance, and other risk-mitigation instruments should crowd in investment, and create jobs.

5. **<u>Strengthening Institutional Effectiveness, Presence, and Representation</u>**

We welcome the one-year extension of Saudi Arabia's IMFC Chairmanship and the progress achieved under its leadership, including the endorsement of the Diriyah Guiding Principles. We support continued efforts to advance the Fund's quota and governance reforms, guided by these Principles. The implementation of the Sixteenth General Review of Quotas remains a priority. A strong, quota-based, and adequately resourced Fund remains essential to preserving the institution's legitimacy and effectiveness.

The WBG should translate the One WBG approach into faster decision-making and stronger execution. Greater in-region decision-making and enhanced operational execution capacity, while preserving the Board's oversight role, would enable more responsive and effective support. We also encourage the WBG to expand its presence and strengthen its institutional capacity in FCS.

Greater decentralization and agility must be matched by stronger accountability for results. The World Bank Group should establish clearer transaction timelines, stronger service standards, regular client feedback mechanisms, and performance frameworks that better capture delivery, impact, and responsiveness, particularly in FCS. These measures are essential to building a more responsive, client-centered, and accountable institution.

Arab representation should be strengthened, particularly at the managerial and leadership levels. The IMF and WBG should expand the pipeline of Arab talent, foster career development opportunities, and facilitate progression into decision-making roles, while upholding merit, diversity, and geographic representation.

Finally, we call for sustained and scaled-up WBG and IMF engagement in support of Palestine, including efforts toward a permanent mechanism for financing development, recovery and reconstruction projects. This engagement should include assessing the macroeconomic impact of the conflict, particularly in Gaza; supporting recovery and reconstruction efforts in partnership with the international community; mobilizing adequate financial and technical assistance; and strengthening Palestine's access to the international financial architecture so that it can fully benefit from available development, capacity-building, and financing instruments. We further call for efforts to **enhance Palestine's participation and recognition within the international financial institutions**, and to access their financial, technical, and capacity development support.