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To: Members of the Executive Board

From: The Secretary

Subject: Report on the Seminar on Adjustment Policies
and Development Strategies in the Arab World

Attached for the information of the Executive Directors is a report on the seminar cosponsored by the Fund and the Arab Monetary Fund, held in Abu Dhabi, United Arab Emirates from February 16 to 18, 1987.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Report on the Seminar on Adjustment Policies
and Development Strategies in the Arab World

Abu Dhabi, United Arab Emirates, February 16-18, 1987

Prepared by the External Relations Department

Approved by A. F. Mohammed

March 25, 1987

1. Introduction

A seminar on "Adjustment Policies and Development Strategies in the Arab World," jointly sponsored with the Arab Monetary Fund (AMF), was held in Abu Dhabi on February 16-18, 1987. The seminar was the seventeenth in the series of seminars for non-officials which started in 1981. Thirty five high level participants from 17 Arab countries came together with staff members of the AMF, including its President and Executive Directors. The list of participants is attached (Attachment II). Three staff members from the Fund 1/ and two from the World Bank 2/ took part in the discussions, as did Mr. Fawzi H. El-Sultan, the Executive Director in the World Bank. The seminar was conducted in Arabic and English. The moderator was Mr. Said El-Naggar, Professor of Economics at Cairo University and former World Bank Executive Director.

The seminar was inaugurated by the U.A.E. Minister of State for Finance and Industry, H. E. Ahmed Al-Tayer; in addition to notables from the Government and the Governor of the U.A.E. Central Bank, the audience at the opening session included representatives from the local financial community as well as the working press.

2. Proceedings

Six papers were presented in two and a half days of intensive and candid discussions. Two papers were by Fund staff (Mr. Shaalan and Mr. Mohammed), one by a World Bank staff member (Mr. Hasan) and three by outside authors dealing with the adjustment problems of Egypt, Jordan and Morocco. The seminar program is attached (Attachment I).

The Fund and its policies remained at the center of the discussions, providing the staff participants ample opportunity to deal

1/ Messrs. Shaalan (MED), Mohammed and Abushadi (both EXR).

2/ Messrs. Shawssedin (EDS) and Hasan (EMNVP).

with misconceptions about Fund prescriptions, especially the use of exchange rates and interest rates as tools of economic management. The debate was initiated by a paper on "Adjustment Policies and the Implications for Growth and Development" presented by Mr. Shaalan, in which he argued that at the heart of the economic malaise in both oil and non-oil Arab countries was the inadequacy of policy responses. The delay in adjustment, particularly in non-oil Arab countries, resulted in unsustainable external deficits leading to a harsher adjustment, when forced by economic reality, whether or not there was a program with the Fund. While admitting that policymakers in the past were slow to react, participants blamed the external environment, especially the vicissitudes of the oil market, for many of their problems. In this context, the Fund was criticized for the lack of symmetry in its surveillance function.

It was also noted that adjustment measures are often rejected because they are unacceptable to the politically influential affluent, rather than the low-income sectors of society, as publicly claimed. Interestingly, some participants observed a lack of credibility on the part of decisionmakers, adding that the general public's superficial understanding of economic issues compounds the problem of governments.

The World Bank paper focused on six Arab countries (Algeria, Egypt, Jordan, Morocco, Syria and Tunisia) which are active borrowers from the Bank. It emphasized a number of structural reforms, including a greater reliance on market signals and selectivity in public sector interventions, especially in the agricultural sector, the need to reduce energy intensity through proper pricing and improved efficiency, a restructuring of public investment programs and a better targeting of social expenditures and subsidies.

The paper on Fund/World Bank coordination addressed concerns about cross-conditionality and led to a discussion of the future role of the Bretton Woods institutions both in the global debt context and in dealing with the adjustment problems of the Arab countries. There was a call for more coordination between the two international agencies and regional Arab institutions in evolving alternative strategies based to a greater extent on intra-Arab integration.

The case studies proved valuable, contrasting the experience of Egypt, on the threshold of adopting serious adjustment measures, with Morocco, a country implementing a joint Fund/Bank supported program of macroeconomic and structural reforms and with Jordan, a country that has adopted an institutional framework that makes adjustment a virtually automatic and continuous process.

It is proposed to publish the papers and proceedings of the seminar in Arabic and English, with the AMF taking financial responsibility for the Arabic volume.

ADJUSTMENT POLICIES AND DEVELOPMENT STRATEGIES IN THE ARAB WORLD

Seminar Sponsored by
The Arab Monetary Fund (AMF) and
The International Monetary Fund (IMF)

Feb. 16-18, 1987

AMF Headquarters
Abu Dhabi

Moderator: Said El-Naggar

Monday, February 16, 1987

Inaugural Address: Ahmed Al Tayer
Minister of State for
Finance and Industry
United Arab Emirates

Remarks: Saeed Ghobash, President
Arab Monetary Fund

Said El-Naggar
Seminar Moderator

Azizali Mohammed, Director
External Relations Department, IMF

1. Adjustment Policies and the Implications for Growth and
Development

Author: A. S. Shaalan, Director
Middle Eastern Department, IMF

Discussant: Izzadin Hassan, Director,
Research Department
The Arab Monetary Fund

General Discussion

2. Structural Aspects of Economic Development in the Arab Countries

Author: Mr. Parvez Hasan, Director,
Operations Policy Staff, World Bank

Discussant: Mohamed Hashim Awad, Professor of
Economics, University of Khartoum

General Discussion

Tuesday, February 17, 1987

3. The Role of the Fund and the World Bank in Adjustment and Development

Author: Azizali F. Mohammed, Director,
External Relations Department, IMF

Discussant: Mahsoun Jalal, Chairman,
National Industrial Corporation

General Discussion

4. Problems and Prospects of Adjustment and Development in Selected Arab Countries--The Case of Morocco

Author: Bachir Hamdouch, Professor,
National Institute of Statistics
and Applied Economics, Rabat

Discussant: Mohammed Sadik, Advisor,
The Arab Planning Institute

General Discussion

5. Problems and Prospects of Adjustment and Development in Selected Arab Countries--The Case of Egypt

Author: Galal Amin, Professor of Economics,
American University in Cairo

Discussant: Saeed Al-Nabulsi, Executive Secretary,
United Nations Economic Commission for
Western Asia

General Discussion

Wednesday, February 18, 1987

6. Problems and Prospects of Adjustment and Development in
Selected Arab Countries--The Case of Jordan

Author: Jawad Anani, President,
Royal Scientific Society, Amman

Discussant: Elias Saba, Chairman,
Allied Business Bank

General Discussion

Moderator's Summing-Up

Closing Session

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Seminar Sponsored by
The Arab Monetary Fund (AMF) and
The International Monetary Fund (IMF)

February 16-18, 1987

AMF Headquarters
Abu Dhabi

List of Participants and Observers

Moderator: Professor Said El-Naggar

Algeria

Rachid Bouraoui
Deputy General Manager
Arab Bank for Investment and Foreign Trade

Bahrain

Adnan Bseisu
President, Middle East Consultations Center
Middle East Consultations Center

Egypt

Galal Amin
Professor of Economics
American University in Cairo

Ali Nagm
Former Governor
Central Bank of Egypt

Iraq

Basil Al-Bustany
Professor of Economics
Baghdad University

Jordan

Jawad Anani
President
Royal Scientific Society

Fayez Tarawneh
Secretary
Economic Advisory Council

Kuwait

Abdul Wahab Al-Tammar
Former Governor
Central Bank of Kuwait

Lebanon

Elias Saba
Chairman
Allied Business Bank

Mauritania

Benhameyda Sidatty
Deputy Governor
Central Bank of Mauritania

Morocco

Bachir Hamdouch
Professor, National Institute of Statistics
and Applied Economics

Mohamed Tazi
Director of Treasury
Ministry of Finance

Saudi Arabia

Mahsoun Jalal
Chairman
National Industrial Corporation

Somalia

Omar Ali
Chief Operating Officer
Dar Al-Maal Al-Islami

Sudan

Mohamed Hashim Awad
Professor of Economics
University of Khartoum

Syria

Issam Bachour
Chairman
Public Law Department
University of Damascus

Tunisia

Mansour Moualla
President
Tunis Arab International Bank

United Arab Emirates

Nassar Al-Nowais
Director General
Abu Dhabi Fund for Arab Economic Development

Yemen Arab Republic

Hassan Abdulkader Bazaraa
Professor of Economics
University of Sanaa

Yemen, People's Democratic Republic

Mohammed Omar Belfaqiah
Deputy Director, Research and Statistics Department
Bank of Yemen

Arab Gulf Cooperation Council

Abdullah El-Kuwaiz
Associate Secretary General
for Economic Affairs

Arab Monetary Fund

Saeed Ahmed Ghobash
President

Abdullah Daoud Abdullah
Executive Director

Abdul Jalil Ahmed Al-Gharaballi
Executive Director

Ali Saleh Al-Sugaire
Executive Director

Abdul Fattah Benmansour
Executive Director

Adma Omar Ileye
Executive Director

Bader Eddine Nouioua
Executive Director

Maher K. Shukri
Executive Director

Hamida Ben Gacem
Advisor to the President

Rasheed O. Khalid
Advisor to the President

Arfan Al-Azmeh
Director, Programs and Operations Department

Izzadin Ibrahim Hassan
Director, Research and Statistics Department

Mabid Ali Al-Jarhi
Senior Economist

Ahmed Abisourour
Economist

The Arab Planning Institute

Mohammed Sadik
Advisor

U.N. Economic Commission for Western Asia

M. Said Nabulsi
Executive Secretary

World Bank

Fawzi Hamad Al-Sultan
Executive Director

Parvez Hasan
Director, Operations Policy Staff

Ezzedin Shamsedin
Advisor to the Executive Directors