



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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Statement by Mr. Al Tayer United Arab Emirates

On behalf of
Kingdom of Bahrain, Arab Republic of Egypt, Iraq, Jordan, Kuwait, Lebanon,
Maldives, Oman, Qatar, United Arab Emirates, and Republic of Yemen

**Statement by His Excellency Minister Obaid Humaid Al-Tayer,
Minister of State for Financial Affairs for the United Arab Emirates
On Behalf of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar,
United Arab Emirates, and Yemen
International Monetary and Financial Committee
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We are in the midst of a global crisis, unlike any other in our lifetime, and the Fund has risen to meet the challenge. Today we are facing a health crisis, widespread loss of livelihood, and significant disruption of economic activity. We are witnessing an unprecedented blow to financial and commodity markets; oil exporters face a dual shock; and all emerging and frontier markets have experienced the sharpest portfolio flow reversal on record. The crisis has underscored the interconnectedness of the world and the importance of effective policy coordination, in which the Fund is playing an important role. We thank the leadership and staff of the IMF for the rapid and effective response of the institution, under very difficult circumstances, to meet member's extraordinary needs.

Global outlook. The global economy is entering a deep recession, with great uncertainty surrounding the depth and duration of the downturn. It is hoped that the spread of the pandemic will be contained in 2020 and that most economies will soon commence their recovery swiftly. But uncertainty abounds, so we appreciate the immense challenge for the Fund when assessing the global outlook. It is imperative for the Fund to closely monitor fast-changing developments, consult closely with our authorities, and adjust the outlook on a timely basis. If shutdown measures are extended into the second half of 2020, the extent of support needed may overwhelm fiscal and monetary systems. Adverse scenarios and policy contingency plans will therefore need to be developed for this eventuality.

Policy reactions. Members have already undertaken bold interventions, unprecedented in magnitude and in line with the Fund's policy guidance. Leaders have said that they are ready to do more. Sizeable and targeted temporary fiscal response to the Covid-19 outbreak, while essential, is creating the greatest public finance challenges. We agree that all available policy tools must be used to maximize the health response, and stabilize social, economic, and financial conditions. The Fund's compilation of the policy matrix has been a useful resource for member countries and market participants. Our constituency countries have undertaken drastic measures to contain the outbreak and mitigate the economic fallout, most of which have been reflected in the policy matrix, and we will continue to provide updates to staff.

Our region. Economic activity in our region has been severely impacted by the Covid-19 outbreak. The region has also been impacted by developments in the oil market given the importance of the oil sector in several countries. Oil exporters have had to deal with these shocks and the ensuing contraction notwithstanding some buffers, available in varying magnitudes, to help withstand the shocks. Oil importers have been hit more strongly in terms of capital outflows

and all countries are expecting a challenging situation in terms of debt obligations coming due in 2020, especially by the private sector. Forceful and wide-ranging measures have been undertaken, as it is clear that governments need to assist households and businesses, especially where there is informality, to keep them afloat and to maintain livelihoods. Countries with high public debt are limited in terms of fiscal space to undertake measures to support incomes and avoid bankruptcies. As the crisis abates, ensuring debt sustainability could become a future challenge during the recovery in some countries.

Solidarity. There is an urgent need for multilateral cooperation on every front: coordinate medical efforts, support firms and households, provide support to global economic activity, and address the liquidity crunch. Low-income and fragile countries will need considerable support in the form of grants and concessional finance. We agree with the principle that official and private creditors should help to alleviate debt burdens. The international community's help to support refugees and other fragile groups will be crucial, as hosting governments' resources will be stretched, and some communities could otherwise be particularly susceptible to a spread of the virus. We welcome the actions by major central banks to ease financing conditions and expand swap facilities. We hope to see a further expansion of swap lines and trade finance lines of credit to include more Emerging Markets and Developed Economies (EMDEs).

Fund response. We welcome the prompt doubling of access to the Fund's emergency facilities to meet members' immediate needs and facilitate urgent health spending, under the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI), the streamlining of processes, and the reform of the Catastrophe Containment and Relief Trust (CCRT), to allow debt service relief to the poorest and most vulnerable members. Some members of our constituency are carefully considering contributing to replenishment of the CCRT. We also welcome the IMF-WB efforts for further easing of debt burden on the most vulnerable countries. Nevertheless, practical solutions will be needed to support those who do not qualify for Fund support under normal lending policies, including countries with debt sustainability concerns and arrears. It is important that emergency financing is "additional" to financing under ongoing or very recent programs. Accordingly, access under the RCF/RFI should not be counted as part of normal access limits during this crisis. We commend Fund staff for processing many RCF and RFI requests promptly over the past two weeks. We call for flexible application of lending limits and eligibility criteria to ensure that emergency financing is available to all members who need it.

Additional support may be required beyond the maximum available under emergency facilities to help avoid insolvency problems and deep scars from this crisis. The Fund must play its role as the lender of last resort, as EMDEs face unprecedented funding challenges in the midst of sudden and historically high outflows. The revival of the Short-Term Liquidity Line (SLL) is a welcomed development that will serve a select category of the membership. The Fund must review remaining gaps in its lending toolkit.

Recovery. Beyond the immediate efforts to limit the fallout from the outbreak, the Fund will need to continue to provide financial support, policy advice, and capacity development to build resilience and sustainability. Countries will need to handle the challenges of fiscal and debt vulnerabilities that are being amplified during the crisis, as well as unemployment, liquidity disruptions to the private sector, and rising inequality. The Fund will need to continue its work on these macro-critical issues. Countries will need to find ways to exit from the current exceptional fiscal measures to focus on debt sustainability, after this crisis is contained and once economies start recovering. An effective communication strategy will be important to anchor expectations and maintain public trust, as extraordinary measures are rolled back. The crisis has tested and shown us gaps in our economic and health system infrastructure. It demonstrated the strengths and limits of our technologies, and increased awareness so we can better prepare for the future.

SDR allocation. Many countries in our constituency see an urgent need for a general SDR allocation with a magnitude at least as that of 2009, while others consider that an SDR allocation should be further explored. In addition to relieving liquidity constraints to all EMDEs, Advanced Economies could use the SDR allocation to assist in replenishing the Poverty Reduction and Growth Trust (PRGT) and CCRT to cover the needs of the poorest countries.

Quota review. It remains critical to maintain a strong, quota-based, and adequately resourced Fund at the center of the global financial safety net. The adequacy of Fund's quota resources needs to be reassessed in light of this crisis and the Fund needs to move quickly to conclude the 16th General Review of quotas and the process of governance reform. The anticipated increase in the quota shares of EMDEs should not come through reductions in the quota shares of other EMDEs. We welcome the commitments and recent progress made by countries so far to double the New Arrangements to Borrow (NAB) and to renew the round of pledges under bilateral borrowing arrangements (BBAs), and would welcome timely approval by contributors.

Budgets and resources. The crisis has exposed some limitations in terms of the Fund having sufficiently experienced staff to manage a crisis of this magnitude. This should be one of the items under consideration when reviewing the Fund's budget and the ongoing compensation and benefits review. Promoting staff diversity, particularly increasing staff from unrepresented regions, remains essential.