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**Statement by Mr. Al Hussaini**
**United Arab Emirates**

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

**Statement by His Excellency Mohammed bin Hadi Al Hussaini,**
**Minister of State for Financial Affairs for the United Arab Emirates**
**On Behalf of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, Somalia, United Arab Emirates, and Yemen**
**International Monetary and Financial Committee**
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## I. THE GLOBAL ECONOMY, THE MIDDLE EAST AND NORTH AFRICA (MENA) REGION, AND OUR CONSTITUENCY

### The Global Economy

1. **The global economy has stabilized since last October. Nonetheless, adverse implications from successive shocks weigh heavily on the global recovery, exacerbating concerns about the deep divide within and across countries.** The challenges facing the global economy are particularly acute for Emerging Markets and Developing Countries (EMDCs). These countries are faced with the simultaneous challenges of tackling inflation, addressing food insecurity, and preserving fiscal and debt sustainability. At the same time, continued tight monetary policies in advanced economies could trigger widespread emerging market debt distress, while geopolitical fragmentation could further hinder their trade and capital flows. Many EMDCs in the Middle East region face the additional challenges of fragility and hosting large refugee flows.

2. At this juncture, time is of the essence to achieve **deeper global cooperation** to avoid fragmentation that could reverse the gains from thirty years of economic integration. **On the monetary front**, the priority must remain the fight against inflation, with careful consideration to spillovers to EMDCs. Adverse consequences for EMDCs include pressure to their financial conditions, delaying their economic recoveries. We, therefore, emphasize the need for data-dependent careful calibration as well as clear guidance and communication from advanced economy Central banks, which are essential to avoid unwarranted market volatility and mitigate spillovers. As for **fiscal policy**, it needs to continue to reduce elevated debt levels while protecting vulnerable groups, which increasingly include middle-income households. **Financial and macroprudential policies**, including capital flow measures and foreign exchange intervention, as needed, can help strengthen resilience to shocks and manage pockets of vulnerability. With regards to **supply-side policies**, measures to ease supply side bottlenecks are necessary, while strengthening social safety net programs to cushion the shocks from soaring prices on vulnerable households. Moreover, policies with longer-term benefits need to address the priorities of the entire membership. These include employment, especially youth and women employment, more equal opportunities, as well as economic diversification, which are major challenges facing the Middle East region and EMDCs more broadly.

## The MENA Region and Our Constituency

3. **Despite a challenging global environment, economic activity in the MENA region proved more resilient than expected in 2022**, supported by a rebound in oil production, tourism, and robust remittances. Activity is expected to moderate in 2023 GDP, with variations among countries, owing to tight macroeconomic policies, curbs on oil production, and the impact of the global slowdown. In the region's oil exporting countries, economic activity is expected to moderate to about 3.1 percent due to lower oil production in line with the April 2023 OPEC+ agreement, while non-oil growth is expected to be the main driver of growth ahead. In the MENA region's middle-income oil importers, tighter monetary and fiscal policies aimed at restoring macroeconomic stability are expected to dampen domestic demand and bring growth to about 3.4 percent in 2023. Growth in the region's low-income countries is forecast to rebound slightly from a contraction of 0.6 percent in 2022 to a modest 1.3 percent expansion in 2023, reflecting the persistent cost-of-living crisis and marked fragilities. Risks to the region's outlook are large, with recent financial sector stress in advanced economies increasing the risk of more adverse global credit conditions. The moderate growth in the region is also expected to be accompanied by more persistent inflationary pressures than envisaged in our last meetings six months ago. **The Maldives'** economy, driven by robust tourism growth, is projected to grow, in real terms, by 12.4 and 8.1 percent in 2022 and 2023, respectively. Average inflation for 2023 is expected to be higher than in 2022 due to policy changes, notably the general Goods and Services Taxes rate increase, although lower than the initial forecast of 5.4 percent for the 2023 Budget.

4. **Against this background, restoring price stability remains a high priority on our policymakers' agenda, with the aim to alleviate the cost of rising prices on households and businesses.** In the region's emerging markets, the response has been forceful and financial conditions have tightened across the board. Countries with pegs to the USD raised interest rates with or closely following the US Federal Reserve's rate increases. Policymakers are also closely monitoring financial system vulnerabilities that could arise from continued monetary tightening. Policymakers realize that their monetary policy stance may need to be further tightened and are carefully assessing the resulting policy tradeoffs, namely the implications of further monetary tightening for fiscal policy—especially where debt levels are elevated—as well as for economic growth.

**5. Policymakers in our region are also carefully monitoring the global banking sector stress that can adversely affect the region through several channels.** These include depressed global growth including on oil prices, increased borrowing costs and associated sovereign debt sustainability concerns, the tight bank-sovereign nexus that could exacerbate domestic financial stability risks, as well as a weakening in banks' ability to issue credit, which would weaken the recovery.

6. **Fiscal policy in the region is striving to preserve debt sustainability, build buffers, and support monetary tightening. Our oil exporters** have witnessed a large increase in their fiscal and external balances in 2022, owing to the rise in hydrocarbon prices. Most of them will continue to witness positive balances despite the projected decline in oil prices in 2023. Oil importers in our constituency do not have similar fiscal space. Moreover, in some of our **middle-income oil importing countries**, the fiscal effort is expected to be partly offset by higher interest expenses. Despite large cumulative primary balance improvements, the increased interest burden would overwhelm the fiscal effort, resulting in a deterioration of overall fiscal balances. This is a pressing dilemma for many Ministers of Finance, especially that they are faced with rising social pressures amidst high and persisting inflation. A key vulnerability for the **low-income countries and fragile and conflict-affected states (FCS)** in our region is their persistent lack of fiscal space to protect their vulnerable populations and continued dependence on food and energy imports. In these countries, any news shocks that renew food security concerns would stoke social tensions and weigh further on growth. Such vulnerabilities require the support of the international community and global cooperation to prevent a humanitarian crisis in many countries where acute food insecurity and poverty persist. **The Maldives** authorities are well aware of the need for prudent and well-coordinated fiscal and monetary policies to safeguard macroeconomic stability, restore debt sustainability and sustain the current exchange rate peg, while supporting sustainable growth. To that effect, they have increased the Tourism and domestic Goods and Services Taxes and are also envisaging subsidy reform in 2023.

7. All the members of our Constituency are striving to **strengthen resilience and growth prospects** by pressing ahead with structural reforms for inclusive and resilient growth. As part of their efforts to achieve the Sustainable Development Goals (SDGs) and their commitment to addressing global challenges, several members of our constituency are accelerating investments in renewable energy, promoting sustainable finance, and supporting climate resilience in vulnerable nations. Our region is also keenly aware of the importance of regional integration and cooperation. This includes promoting trade and investment, harmonising regulatory frameworks, and enhancing regional financial safety nets.

8. The Middle East region will be hosting a series of **high-level international events** in the coming year. Notably, t**he United Arab Emirates will host COP28**, which will focus on positive disruption of current trajectories to 2030 in order to keep global temperature rise below 1.5 degrees while sharply increasing the response to and prevention of climate impacts.

## II. Our Expectations for the IMF

9. We welcome the Managing Director's Global Policy Agenda (GPA). We also appreciate the responsiveness and flexibility of the IMF's Middle East and Central Asia and other departments to our region's needs. In the context of current stress in the macroeconomic and financial sector circumstances and outlook, we look forward to the IMF's nimble support to members, particularly **middle-income countries, low-income countries, and FCS**, through

tailored policy advice, timely and adequate financial support, flexible conditionality and understanding of political-economy considerations. as well as targeted capacity development. The IMF is our member countries' trusted advisor and lender of last resort; it also has an exceptional convening power. Our priorities for the coming period are the following:

10. **The GPA, and IMF more broadly, could enhance their focus on EMDCs.** The challenges facing the global economy are particularly acute for EMDCs. These countries are faced with the simultaneous challenges of tackling inflation, addressing food insecurity, and preserving fiscal and debt sustainability. At the same time, continued tight monetary policies in advanced economies could trigger widespread emerging market debt distress, while geopolitical fragmentation could further hinder their trade and capital flows. Many EMDCs in our region face the additional challenges of fragility and hosting large refugee flows. Supporting the needs of EMDCs thus requires agile and coordinated capacity development, policy advice, and financial assistance from the IMF and other development partners. It is essential that the IMF's toolkit includes policies aimed at enhancing social protection system, creating jobs, particularly for the young and female workforce.

11. **Debt vulnerabilities are increasing in EMDCs due to the impact of the pandemic mitigation and the repercussions of geopolitical tensions**. We are concerned that 60 percent of LICs and 25 percent of emerging markets or at risk of debt distress. Many FCS are also either in debt distress or at high risk of debt distress at a time when debt restructuring processes have been sluggish, as noted in the report. We, therefore, look forward to further progress on the IMF's debt agenda. We commend efforts to bolster and **accelerate the implementation of the common framework**, including improving the provision of information to creditors. We encourage the IMF to step-up its efforts in coordination with partners and stakeholders to help improve creditors' coordination mechanisms inside and outside the common framework and **call for extending the common framework to middle-income countries**.

12. **The difficult global economic environment calls for a review of the IMF's surcharges policy**. Against the background of the lingering pandemic, geopolitical developments, and increasing global interest rates, the surcharges risk more than ever to disproportionately affect vulnerable EMDCs that require large amounts of IMF financing. The surcharges also unduly penalize those countries at a time when they need IMF financing most. We, therefore, fully support **consideration of a temporary suspension in surcharges and encourage a more comprehensive review of the policy**.

13. **We encourage IMF staff to carry out country-specific analyses of the implications of refugee flows.** This includes detailed assessments of the direct and indirect economic costs for hosting communities. Geopolitical tensions have brought attention to challenges related to refugee flows, an issue that Jordan and Lebanon in our constituency have been faced with since the onset of the Syrian crisis about twelve years ago. Such work would be instrumental to the effort to mobilize adequate and timely donor support.

14. **On the structural front, the GPA should be more balanced in its presentation of structural challenges facing the membership**. Job creation, more equal opportunities, and economic diversification are key challenges facing EMDCs, in addition to climate change and digitalization, and they deserve more careful consideration.

15. **Enhancements in IMF lending need to benefit the large membership**. We welcome the focus on **FCS** in the GPA as these countries are particularly vulnerable to rising food and oil prices. Many **FCS** also face debt sustainability constraints. It is, therefore, disappointing that these countries are unable to benefit from the proposed **food shock window**. We encourage IMF staff to continue to explore innovative financing solutions that benefit all member countries. We also welcome **the increase in GRA access limits** and stress that the IMF should be evenhanded and should ensures that members eligible to this higher access and interested in it do indeed benefit from the increased access with the coming 12-month period. We also believe that an increase in **access limits for both the GRA and PRGT windows** is warranted to ensure uniformity of treatment, ensure evenhandedness, and avoid leaving the IMF's vulnerable members behind. The IMF's **new policy for lending under exceptional uncertainty** should also apply evenhandedly to the institution's member counties.

16. The **Resilience and Sustainability Trust** (RST) is an important and innovative complement to the IMF's lending toolkit. The current crisis is a reminder that, in addition to climate change and pandemic preparedness, the RST should cover the structural challenges that affect EMDCs most. These include job creation, more equal opportunities, and economic diversification, as mentioned above. Based on the experience of the five countries that benefited from the RST, we would welcome the IMF's support in ensuring that the RST is able to catalyze financing from other sources, notably with private sector participation

17. **The GPA rightly focuses on stepping up climate finance to support adaptation and transition efforts that affect a large portion after membership.** Climate adaptation and climate just transition were central themes in the **COP27 that was hosted by Egypt** and will remain important priorities—alongside lost and damage, finance, and mitigation for 1.5 degrees—for the **COP28 that will be hosted by the United Arab Emirates**. These themes require both policies and scaled-up financing for efficient green public investment, including from private sources. We look forward to further details on the way the proposals on climate adaptation and transition will translate in the IMF's operational work. We also encourage the IMF to further strengthen its engagement and partnerships with the region in relation with the forthcoming COP28, including supporting the transition from COP27 to COP28.

18. **IMF policies should aim to leverage on the benefits of new digital technologies while mitigating risks and promoting financial inclusion**. The IMF's work with relevant institutions on modalities to improving cross-border payments, including through new payment infrastructures, and developing a framework for effective policy responses to crypto assets, is

helpful. We encourage additional work on assessments of crypto assets and Central Bank Digital Currency (CBDC) risks to financial stability and integrity, as well as potential benefits of and suitable framework for CBDC. Adequate budgetary resources are needed if the IMF is to support the membership meaningfully in the area of digitalization. We support the IMF's work on informing a comprehensive, consistent, and coordinated policy framework for crypto assets and support its use to guide staff's policy dialogue with country authorities and capacity development activities. We also support the IMF's participation in discussions with standard-setting organizations. We emphasize the importance of financial inclusion and the role digital technologies can play in achieving this objective. This includes supporting fintech innovation, enhancing digital infrastructure, and implementing regulatory frameworks that promote financial inclusion and consumer protection.

19. **Human Resources and Diversity**. The IMF relies on the exceptional dedication and professional strength of IMF staff to serve the member countries in a complex and highly uncertain environment. IMF staff are facing increasing pressures, and this could be better recognized in the IMF HRD policies. In particular, the *2022 Risk Report* made a concerning assessment of human resources risks that warrant attention and mitigation. The IMF's decreasing competitiveness and staff wellbeing and safety are concerning matters that need to be addressed seriously. The *2022 Diversity and Inclusion Update* of February 2023 pointed to continued under-representation of MENA staff, as well as to below target recruitment levels from the region. We, therefore, call for continued commitment by management to strengthen the recruitment and enhance the career progression and promotion of staff from under-represented regions, notably MENA. Accountability of heads of departments is essential in making meaningful progress on representation.

20. **A strong, quota-based, and adequately resourced IMF, at the center of the global financial safety net, is more essential than ever in the current global environment**. Given the critical role the IMF will play in the future shock-prone global economy, the timely and successful completion of the 16th General Review of Quotas for an adequately resourced, quota-based IMF at the center of the global financial safety net, is essential. The principles underpinning the 2008 quota reform remain valid and should continue to underpin the quota formula review in the context of the 16th Review. The current quota formula works well as it continues to reflect dynamic developments in the world economy and could allow a meaningful realignment of quota shares. We, therefore, support keeping the current quota formula unchanged under the 16th Review. It is essential for the 16th Review to avoid an outcome in which shifts in quota shares to dynamic EMDCs are made largely at the expense of other EMDCs and shifts to large economies are made largely at the expense of smaller ones, as was the case in past quota reforms. This is critical to ensure the IMF's legitimacy and its efficiency. **We support a large increase in quota resources under the 16th General Review of Quotas** and reiterate our **support for selective increases combined with ad hoc increases to protect the shares of the poorest members**.