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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 Obaid bin 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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I. The Global Economy, the Middle East and North Africa (MENA) Region, and our Constituency

1. **The global economy** is surprising on the upside owing to synchronized and exceptional fiscal and financial support efforts. Nonetheless, the COVID-19 shock will have persistent effects and will likely result in inequalities between and within countries, with vulnerable populations, including women, youth, and the elderly, being hit harder. We agree with the message in the IMF flagship documents that the policy priority is to accelerate vaccinations and distribute vaccines at fair shares and affordable cost to all countries, then to recalibrate policies according to country-specific circumstances, and to prepare short and medium-term policies to transform economies toward more sustainable and inclusive growth. Continued flexible fiscal support is needed until a durable recovery is underway, with a focus on reducing inequalities by strengthening social safety nets and improving the effectiveness and efficiency of spending on health and education. Decisive monetary policy actions eased financial conditions and helped contain financial stability risks, although they may also have unintended consequences. As monetary policy normalizes across countries in line with their asymmetric recoveries, there are growing risks of potentially significant spillovers for several emerging market and developing countries (EMDCs). If faced with sharp tightening of global financial conditions or large portfolio outflows, some EMDCs may need to resort to policy tools considered in the Integrated Policy Framework, including intervention in the currency market, as well as macroprudential and capital flow management measures. Now more than ever continued international cooperation is critically needed to overcome the pandemic and strengthen a sustainable recovery.

2. **In the MENA region**, a year after the onset of the pandemic, governments' rapid and comprehensive policy responses helped limit the progression of the virus and mitigated the impact on the most vulnerable. The recovery was stronger than expected in the second half of 2020, although it remains uneven among sectors and between countries. Debt burdens are rising across the region and could limit the scope for policy action in several countries with the required financing from domestic banks risks crowding out private sector investment. Overall, countries in MENA may see growth rates below those of other EMDCs for 2021-22, with variations across countries. In addition to domestic policy efforts, this calls for increased attention by international financial organizations, and the IMF in particular, to the needs of the region, as we will discuss in further detail in the remainder of the statement.

3. **Our constituency** includes a diverse group of countries at different stages of vaccine rollout and support to their economies; yet, all are united in their common goal of saving the lives and preserving the livelihoods of their citizens. Policy responses to the COVID-19 shock have been rapid and comprehensive. They comprised supportive fiscal and monetary measures as well as a significant expansion of targeted social programs. The policy responses helped kick-start economic activity in the second half of 2020, although the recovery is still uneven, with dependence on tourism in some of our countries being a drag on activity. Policymakers are carefully balancing the need to save lives and livelihoods, and foster the recovery, with safeguarding debt sustainability and financial stability. To achieve debt sustainability, many countries are already implementing fiscal consolidation plans anchored on a credible medium-term fiscal framework and debt management strategies. To that effect, they are improving revenue mobilization and spending efficiency to create fiscal space. Monetary authorities are also alert to financial stability risks and are carefully monitoring the banking systems' loan performance and corporate leverage. On the upside, banks in many of our member countries entered the crisis in a strong position and did not require as much financial policy response as in other regions.

4. The rebound in oil prices since the last quarter of 2020—reflecting improved global demand and the OPEC+ agreements to extend oil production cuts—is helping the recovery in our oil-producing countries. It will also support fiscal and external accounts and have confidence effects, supporting non-oil GDP.

5. The fragile and conflict-affected countries, as well as small states and countries hosting large refugee populations in our constituency, are hard-hit by the COVID-10 shock and will face daunting challenges, with deepening humanitarian concerns. These countries were able to provide a smaller response to the crisis given financing constraints. In some instances, they had to reduce their nominal expenditures compared to pre-pandemic projections despite large financing needs to achieve their Sustainable Development Goals (SDGs). These countries also face substantial vaccination costs, which will be partly met by regional cooperation initiatives. These include the UAE-based public-private partnership Hope Consortium that is striving to provide vaccine storage and distribution in the region, as well as the Dubai Vaccine Logistics Alliance that is expected to support the delivery of two billion doses of vaccines this year under COVAX.

II. **Our Expectations for the IMF**

6. We welcome the Managing Director's focused **Global Policy Agenda** (GPA), which lays down a comprehensive policy framework to help the most vulnerable countries and people, restore confidence, and build up economic resilience. We underscore the need for IMF work to focus on the following areas:

7. **Debt.** The IMF must continue the speed and force of its exceptional response to help members during the pandemic by upscaling its efforts to address rising debt vulnerabilities. Debt service relief through the G-20 Debt Service Suspension Initiative (DSSI) provided eligible low-

income countries members with helpful support as it redirected funds from debt repayments to immediate response to the health and socio-economic crisis. We support the IMF's role in the implementation of the G20 Common Framework and urge private sector participation to ensure its success. We support the IMF's work on the debt agenda by continuing to implement the multi-pronged approach, including by supporting greater debt transparency and further developing the dialogue on debt restructuring. We support additional work to improve the international debt architecture, as well as more transparency by creditors, bond tenants, and their policies, particularly on inter-company loans in private external debt.

8. **Middle-income countries (MICs).** We see a strong case for a larger role for the IMF in MICs to help address their immediate and long-standing challenges. We support the creation of a new trust Fund for MICs dedicated to addressing macro-critical issues related to economic resilience and sustainability, including debt sustainability. As most MICs do not have access to swap lines or regional financing arrangements, we see an important role for the IMF, with rapid and flexible responses, to provide financial support where and when needed. The envisaged SDR allocation and a program to voluntarily reallocate SDRs from countries with a surplus to those in need would also be most helpful.

9. **Sustainability.** The GPA rightly refers to transformative policies. These should focus on preventing many member countries from retreating from hard-won progress towards the SDGs by creating jobs, promoting more equality, financial inclusion, the digitalization of the economy, and a greener economy, consistent with the goal of carbon neutrality in 2050. Work on climate change falls within the broader objective of supporting member countries in their goal towards meeting their development challenges and achieving the SDGs and must fall within the principles of the Paris agreement. In this context, we support the IMF's plan to lead the policy dialogue on the macro-financial impact of non-core emerging areas.

10. **SDR allocation.** We welcome staff's work on a general SDR allocation. Given the stark impact of the crisis in terms of setbacks and permanent scarring, we support a very substantial SDR allocation. We encourage staff to consider innovative solutions to improve the distribution of the allocation.

11. **Surveillance.** As countries focus on the recovery from the pandemic, resumption of surveillance activity will be crucial to navigate a safe exit from the crisis in a drastically changed world. We look forward to the Comprehensive Surveillance Review in Spring 2021, in particular; proposals to strengthen systemic financial risk analysis and macroprudential policy advice in Article IV consultations. We also look forward to the completion of the review of the Financial Sector Assessment Program with the World Bank and the review of the Data Standards Initiatives which will further promote data transparency.

12. **Fragile and conflict-affected states (FCS).** Fragile and conflict-affected countries, small states, as well as countries hosting large refugee populations and dealing with large internally

displaced populations, some of which in our constituency, deserve special consideration. Humanitarian support, debt relief, and concessional finance are all too important for these countries. We look to the IMF and the international community to provide substantial support to this group—including through tailored IMF policy advice, capacity development, and additional financing, as well as through debt service relief, if needed, and through catalyzing other support. The IMF’s financial support to many of these countries remains constrained, and we encourage management to evaluate different options to provide them with much-needed assistance, including setting up a donor-funded trust fund or designated lending instruments.

13. **Quota reform.** We are committed to a strong, quota-based, and adequately resourced IMF at the center of the global financial safety net. The 16th General Quota Review provides an opportunity to ensure the primary role of quotas in IMF resources, to reduce reliance on borrowed resources, and to assess the adequacy of quotas to meet potential resource demands during the second half of this decade. We support a substantial increase in quota resources. 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.

14. **IMF budget.** We are concerned that the institution’s administrative budget has been unchanged in real terms for the tenth consecutive year, despite a still-unfolding and extraordinary crisis. Pressures on the IMF resources and on staff are rising as the need for deeper engagement in traditional areas and in new emerging ones are crucial to help the recovery and ensure sustainability. The IMF cannot continue to operate with a flat budget in the middle of a global crisis and pandemic. We support an increase in the budget envelope to allow the institution to respond to the needs of the membership, including capacity development, in a satisfactory and timely manner.

15. **Diversity and inclusion.** We are deeply concerned about the long-standing lack of progress in regional diversity and inclusion, particularly for Arab countries. We call for accelerated efforts to strengthen the recruitment and enhance the career progression and promotion of staff from under-represented regions, notably MENA, as well as for accountability of department heads in this regard.

III. The Way Forward: The Post COVID-19 Era

16. Looking beyond just the recovery, the post-COVID-19 era requires carefully redefined policy priorities, including:

17. **First**, new models of governance that redefine the role of governments, where policymakers, in partnership with the private sector, are able to overcome the challenge of balancing the need to rebuild buffers with the long-term development needs.

18. **Second**, it is essential to pursue socially inclusive and environmentally sustainable models of growth as the only path forward in the post-COVID-19 era, where the IMF and other international organizations can support by sharing successful practices, supporting capacity building, and funding efforts.

19. **Third**, the pandemic underlined the need to accelerate digital transformation where now countries are required to develop competitive, resilient, and secure digital infrastructure as a key enabler for people's well-being, business growth and development objectives overall.