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Statement by the Hon. **ABDULHAMID SAEED**,
Governor of the Fund for the **UNITED ARAB EMIRATES**

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Governor of the Fund for the United Arab Emirates

The upward revision of global output projection by the IMF for 2020 reflects the effectiveness of various health, monetary, fiscal, and prudential measures taken across the globe to mitigate the repercussions of the Covid-19 pandemic. However, more work and policy actions are required to ensure that the recovery will firmly be on its way, as uncertainties still loom.

It cannot be overemphasized how important it is to address the health crisis. This is a pre-condition for any sustainable economic recovery, and every country has to do what it can to contain the infection. There is considerable room for more cooperation and expanded humanitarian actions.

Monetary and fiscal measures are still required to mitigate the effects of the pandemic on the economy, should the recovery shows signs of slowing. If we take the UAE as an example, monetary policy and prudential measures were implemented by the Central Bank of the UAE (CBUAE) for the total value of AED 256 billion, or 20% of the GDP. The Targeted Economic Support Scheme has already benefitted almost 500 thousand borrowers, including many SMEs. In terms of fiscal measures, taken at the federal and the Emirates-level, they added up to AED 39 billion, or 3% of the GDP.

We support the need for improvements in the architecture to reduce the debt levels of most affected low-income developing countries, but bold structural reforms will be essential in order to achieve debt sustainability and economic growth. This crisis calls for the continued involvement of the IMF and multinational development banks in lending and technical assistance to those countries.

We recognize that the IMF has played a pivotal role in the form of different policy advice programs and lending support for countries that cannot access capital markets. In response to the on-going health crisis, the IMF has been able to deploy timely emergency lending to more than 80 countries so far, and we welcome the speed and precision. These efforts should continue as long as the pandemic lasts.

Global financial stability is a public good, and much has been done by all jurisdictions to provide the required liquidity support and other measures to ensure that lending to the real economy is not abruptly interrupted. Against this background, it is important to recognize the role of global prudential and accounting standards, such as the IFRS9 and the Basel III. While the flexibility built-in in the Basel framework was used to the full extent by most of the countries, we need to remain vigilant and not permanently water down the prudential standards, as this can cost us dearly in terms of risks to financial stability.

For a small and open economy like the UAE, we caution against new protectionist policies which can result in a vicious circle of measures and new countermeasures, putting further downward pressure on global growth and slowing down the recovery.

The UAE entered year 2020 with the expectation that there would be a strong pick-up in growth driven by the fiscal stimulus program of the Emirate of Abu Dhabi and increasing activity generated by Expo 2020. The twin shocks of low oil prices and Covid-19 have caused a temporary disruption, whose depth is comparable to that witnessed in developed countries across the globe. The UAE GDP is expected to decrease by 5.2% this year while rebounding strongly in 2021.

Over the past few years, the UAE has implemented several reforms to promote sustainable growth, diversify its economy, and reduce dependency on the oil sector. These reforms have targeted the expansion of higher valued-added and innovation-driven services sectors and SMEs, while opening up the economy to increased foreign direct investment. The non-oil sector has successfully maintained its share in the real economy which presently stands at 70%.

The crisis provides also opportunities. Investments in further development in technology can help our people to conduct their daily needs in a more efficient, easy, and safe way – whether it relates to domestic or cross-border payments, health care, customer identification, central bank digital currency, or access to government services. The pandemic showed how important is our readiness for remote work and cashless payments. The Central Bank of the UAE is playing a proactive role in digital innovation and is working hand in hand with the industry and other regulatory authorities to embrace innovation and digital transformation whilst promoting a culture of robust risk management. This commitment is backed by a comprehensive regulatory framework and a robust digital infrastructure. The CBUAE has adopted a Fintech strategy which aims to turn the UAE into a global Fintech hub.

We hope that working together with other nations and international organizations, such as the IMF and World Bank Group, we can turn the crisis into an opportunity and collectively overcome the challenges posed by the pandemic.