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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
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Our countries acted swiftly in the face of this unprecedented multi-faceted shock, with a wide range of measures to contain the health, social, and economic impacts of the pandemic. We welcome the upward revision of global output, which reflects the effectiveness of bold actions taken, and hope for a more positive outcome than the current baseline scenario. Countries acted domestically, and in some areas jointly to support others, and the Fund has acted swiftly in providing policy advice and financial assistance, all of which has helped contain the fallout and pave the way for recovery. We welcome the signs of recovery, even if still uneven and tentative. Even if we have already seen the worst, which is not assured, there would still be a long road to travel for the recovery to take hold and to return to the pre-pandemic growth trend. Continued vigilance is needed, until we have a vaccine and an effective treatment. Uncertainty still looms large. So, we must continue with monetary, financial, fiscal, and health measures until the virus is wiped out, not only in our own countries, but in all countries.

Premature withdrawal of support is a risk for the global recovery. Well-anchored accommodative monetary and fiscal policies, that also ensure macro-financial stability, should continue**.** Even with the massive policy support around the world, the downside growth scenario projected in the latest *WEO* cannot be ruled out and calls for continued extraordinary and agile policy support. Globally, the rate of spread of infections remains too high, although with variations, and the risks to economic activity and financial stability remain too great. Households, firms, sectors, and countries are in financial distress. The pandemic continues to have a disproportionate impact on women, youth, low-skilled workers, and other vulnerable groups. The fight against poverty and inequality could face significant setbacks, as people lose their jobs and incomes, and countries struggle with heavy debt service burdens, amplified by spending on extraordinary measures. **In the near term**, as we manage the heightened uncertainty, we need to focus on how to limit further damage, how to further target our support to where it is most needed and most effective, and how to rebuild confidence. We should also keep in sight the need to address longer-term objectives of rebuilding buffers and building resilience for the next shock. The pandemic has triggered a profound transformation in many countries, and we must seize the opportunity to invest jointly with the private sector in smarter, more inclusive and greener growth, including through fostering innovation and competitiveness.

Now more than ever, **multilateral cooperation** is critically needed. The production and distribution of a vaccine must be treated as a global public good and be available to all promptly in an affordable way. We call for greater cooperation to maintain and re-open trade channels, resolve technology disputes to better cover services and digital commerce, and reduce trade barriers, especially on medical supplies and equipment. Increasing concessional financing by the global community is equally important. We continue to call for a fair allocation of global financial resources from rich nations to support developing countries. Some emerging and frontier markets also face acute financing constraints and may require official support. It is also important to support some developing countries in managing their worsening debt vulnerabilities, including through G-20's *Debt Service Suspension Initiative,* and to develop a "Common Framework" to facilitate coordinated debt treatment post-DSSI, while encouraging full participation of all creditors, including the private sector when requested by eligible countries. Continued efforts are needed to secure more loan and subsidy resources for the *Poverty Reduction and Growth Trust* and funding for the *Catastrophe Containment and Relief Trust (CCRT).* We call on the major central banks to expand their swap lines to more Emerging Markets and Developing Economies (EMDEs) and to support initiatives to scale up affordable market financing. Developed countries and countries with ample resources must also provide adequate financial resources to assist developing countries to meet the costs of addressing climate change.

Countries in **our constituency** have taken a broad range of policy actions, specific to each country's conditions and outcomes. Overall, the countries of the Middle East deployed a relatively smaller fiscal stimulus than in other regions, partly due to stronger health systems in Gulf Cooperation Council (GCC) countries and in several oil importing countries. Oil exporting countries have had to face a double shock, as the impact of the pandemic was compounded by lower global oil demand, but many countries had ample buffers that could be deployed. The GCC countries relied more on monetary policy to provide liquidity, other macro-financial support, and in some cases debt moratoria. Overall growth in the Middle East region may see a sharp decline in 2020 (by around 6 percent), as forecast in the WEO baseline, before rebounding in 2021 by 3.3 percent. In oil importing countries with constrained fiscal space, the budgetary cost was limited and contained through reallocations between budget categories, as well as through private sector philanthropy and active NGO support who played a big role in financing medical supplies, sanitation, social assistance, and support to SMEs. A range of monetary and financial policies were deployed, including extended liquidity and support to SMEs. The WEO baseline forecasts that, as a group, these countries will see a modest growth decline (by around 1 percent on average) in 2020, despite the large hit to tourism and remittances, which also makes the magnitude of the 2021 recovery difficult to predict in affected countries, due to larger uncertainty. Authorities in our countries are closely monitoring the effectiveness of policies deployed so far and stand ready to make adjustments, as needed.

Debt burdens are rising in our region, for both oil exporters and importers, with debt approaching or exceeding 80 percent of GDP for several countries, as they see a sharp decline in revenue and significant worsening of the primary balance. However, on the upside, **banks in the region entered the crisis in a strong position** and did not require as much financial policy response as in other regions, partly reflecting progress in implementing IFRS9 and more stringent prudential regulations. Supervisory authorities are alert to the strains on bank liquidity and profitability from the debt moratoria and risks to corporate solvency, due to a prolonged slowdown, and continue to monitor banks' resilience.

As in other regions, **the conflict-affected, fragile countries, and small states in our region are more hard-hit** and will face even more daunting challenges, with deepening humanitarian concerns. Countries with a large share of the population internally displaced or hosting large numbers of refugees also deserve special consideration, as their own resources will be strained. Humanitarian support, debt relief, and concessional finance are all too important for these countries. We look to the Fund and the international community to support this group to the utmost—including through tailored Fund policy advice, capacity development, and additional financing, as well as through debt service relief, if needed, and through catalyzing other support.

The pandemic has highlighted **the importance of buffers and resilience**—as the world may be facing more health and financial shocks. Many countries in our constituency were well on their way to implement reforms to improve resilience to shocks, diversify domestic activity and foreign currency receipts, upgrade education and social protection, expand the use of technology and digitalization, upgrade payments' systems, further strengthen monetary policy frameworks, broaden the tax base, strengthen public finance management and governance, and shift to greener and more sustainable investments, including in key infrastructure. These efforts have continued. The pandemic has increased the impetus to move forward or even accelerate many of these reforms.

The Fund must be prepared for supporting the membership throughout a long downturn, and during the continued unprecedented level of uncertainty. This could include a second wave of infections, a delayed production or distribution of a vaccine, or a second round of financial tightening that could severely limit countries' access to finance. The Fund should continue to foster information sharing, strengthen analysis of macrofinancial policies, and distill lessons from the crisis. The Fund will need to support countries as they face rising solvency risks for corporates and banks, heavier debt burdens, and long-lasting damage to productivity and to the viability of some sectors. It may be too early to prescribe post pandemic policies and to know what makes sense for each country. But we agree that for some countries, a reallocation of resources may well be needed, which would entail retraining and reskilling of the workforce. Accordingly, we support the IMF's continued work, in its areas of expertise, on strengthening social safety nets, economic governance, inequality, structural reforms to address weak productivity and to raise potential output, climate resilience, supporting countries' digital transformations, and ensuring adequate regulations for fintech.

The Fund must be adequately resourced in order to respond to members' needs and should remain quota-based, reduce reliance on borrowed resources, and increase its quota size in line with the growth of global trade and finance. We strongly support a meaningful **new general SDR allocation** to boost the liquidity of many EMDEs, alongside mechanisms to channel unused SDR resources to support vulnerable countries. **Adequate staffing** is also critical for the Fund to deliver on the surge in demand for financial support, while continuing its surveillance and capacity development activities—and we strongly support efforts to increase hiring to meet these demands. New hiring should strive to improve diversity indicators.

The **risk of rising insolvencies and increases in corporate bond defaults** need to be carefully monitored. We welcome staff's analysis of these topics in the *GFSR*, as well as the global bank stress testing. We look forward to updates on this work and to expanding the work to consider vulnerabilities in nonbanks.

We also support the work of the IMF in helping countries manage debt burdens and **debt restructuring**, when needed. We encourage continued attention to the ongoing streams of work on engaging the private sector, state-contingent debt instruments, and the Fund's *Debt Policy Review*. We look forward to further developing the multi-pronged approach to address debt vulnerabilities, in collaboration with the World Bank.

EMDEs face repeated surges and reversals of capital flows, which continue to pose challenges. The Fund must be prepared to provide tailored policy advice for countries to effectively deal with the inflows, with the expected greater volatility, and with reversals. We support the enhanced policy thinking on capital flow management in the Fund, building on the recent review of experience by the Independent Evaluation Office (IEO) and the analytical work being undertaken as part of the *Integrated Policy Framework.* We look forward to the review of the *Institutional View on Capital Flow Management and Capital Account Liberalization*, which we expect to be able to support more tailored advice than in the past, including on the use of Capital Flow Measures, preemptively.

The Fund should consider ways to further **expand its emergency and other lending and to adapt it** to the evolving exceptional situation. Access limits need to be revisited, including for PRGT lending, as financing needs have increased and other sources of finance are limited. Augmentation of access should be facilitated. The Fund must exercise a greater degree of flexibility, which may entail higher risks, with appropriate safeguards. However, additional safeguards should not be too onerous on countries to prevent access to Fund resources when critically needed. We welcome the six-month extension of higher access limits under the IMF emergency facilities and the extension of debt relief for another six months under the *CCRT*. We welcome the plan to update the analysis of the financing needs of developing countries and sustainable financing options, which will provide a rationale for modifying the Fund's lending toolkit. We also welcome plans to pilot engagement strategies for fragile and conflict-affected states and to explore ways to expand liquidity assistance to small states in the event of large shocks.

We support the IMF view that governments should step up public investments, including green infrastructure, to boost their economies after the shock from the pandemic, as highlighted in the *Fiscal Monitor*. This would help create jobs directly and indirectly and would strengthen confidence in the recovery. We also agree that the positive yield would be greater to the extent that existing public and private debt burdens do not weaken the response of the private sector to the stimulus. Attracting private investment would also encourage a larger role for the private sector.

We commend the **Fund's capacity development (CD) activities**, which have continued with innovative long-distance engagement with countries throughout the pandemic, with efforts to limit disruptions. We note the recent drop in CD delivery to the MCD region, despite the larger number of programs. In the past, the region has had a proportionately lower share of CD, and we call for a shift of more resources to meet members' demand.

We must spare no effort as we continue to navigate through the outbreak and wait for good news on a vaccine, which would give global growth a lift next year.