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**IMFC Statement by Mohammed Aljadaan
Minister of Finance
Saudi Arabia**

**Statement to
The International Monetary and Financial Committee
By
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Global Economic Context

The global economic expansion has weakened and downside risks to the outlook are significant. We note that growth in 2019 is projected to slow to its lowest level since the global financial crisis, but a modest pickup is expected in 2020 driven by emerging market and developing economies. At the same time, the global economy continues to be subject to significant downside risks, including those arising from trade and geopolitical tensions leading to further increases in policy uncertainty. Growth prospects could also be affected by abrupt shifts in risk sentiment that could expose financial vulnerabilities built over the years in the lower-for-longer interest rate environment.

Against this background, we agree with the Fund's key policy recommendation to mitigate risks and strengthen growth. Indeed, we need to remain vigilant and continue our efforts to reduce vulnerabilities in our economies, strengthen growth, and make it more inclusive. In this context, it is essential to use sound macroeconomic policies alongside well-calibrated structural reforms, tailored to individual country circumstances. In particular, a more active use of fiscal policy, especially in countries with available fiscal space, is important to support aggregate demand. In addition, we underscore the critical importance of ensuring adequate social spending and robust social safety net to protect the most vulnerable segments of population. More importantly, the challenge is how to boost inclusive growth by providing opportunities for all, including for youth and women. Pursuing suitable macroprudential policies and effective regulation and supervision is warranted to guard against financial stability risks.

The emphasis in the Managing Director's Global Policy Agenda Update on bridging differences through multilateral cooperation is timely. As a matter of priority, countries should continue their efforts to resolve trade disagreements cooperatively and help decrease policy uncertainty. Against the expected sharp reduction in global trade growth this year, it is essential that the Fund step up its efforts to promote open trade in collaboration with the WTO and other international organizations. Specifically, we endorse the continued call to modernize the rules-based multilateral trading system that should benefit all countries. Equally important is the need for further strengthening cooperation on international taxation with the OECD and other international organizations working in this area to ensure sustainable global solutions. In addition, it is essential to help Low-Income Developing Countries (LIDCs) make progress toward the 2030 Sustainable Development Goals. On their part, LIDCs should continue to

enhance their fiscal frameworks, mobilize revenue, strengthen debt management capacity, improve public spending efficiency, and strengthen institutions and governance, including to help create a more attractive investment climate for the private sector.

Saudi Arabia remains committed to support the stability of the oil markets for the benefit of both producers and consumers. Continued investment in the energy infrastructure has contributed to our resilience in supplying the needed energy for the global economy. At the same time, we must address the geopolitical risks that can harm the stability of energy markets, especially during this period of weaker global growth. The swift response and resilience demonstrated by the Kingdom to the September 14 attacks on its oil processing facilities confirm our readiness to deal with any threats to the supply of energy. In this context, it is important for the international community to safeguard the global oil supply, including the safety of free trade passages.

MENA Region

Policy actions should focus on promoting higher and more inclusive growth to ensure access to opportunities for the benefit of all. This is more urgent than ever as per capita GDP remains lagging amidst the continued slowdown in global growth. To this end, policy priorities should be anchored on coherent macroeconomic policy mix and structural reforms to support growth, safeguard financial stability, strengthen governance, and promote job creation, especially for youth and women. Notably, focus should be on social spending toward education, health, and social protection, especially to help cushion the impact on the most vulnerable segments of the population. Continued reforms are also needed to strengthen the role of the private sector in the region. On its part, Saudi Arabia will continue to be a key partner in supporting the region's reform agenda. We call on the Fund to intensify its support to the region, including through tailored policy advice, capacity development, and financial support, if needed.

Global Policy Agenda Update

We support the continuing work by the Fund to modernize its policy toolkit to adequately meet the needs of the membership. In this context, we welcome the recently concluded review of program conditionality, which should help in further improving program design. Furthermore, we take positive note of the low-income countries' facilities review, which included increasing access limits and enhancing the flexibility of the Fund's lending instruments. We welcome the review of the debt limits policy to support the ongoing efforts to strengthen debt transparency and management. The ongoing Comprehensive Surveillance Review and the Review of the Financial Sector Assessment Program provide an opportunity to consider ways on how to further enhance value added of Fund policy advice and improve traction with member countries.

On climate change, Saudi Arabia is fully committed to creating a better environment for future generations. In 2015, we pledged, among many other nations, to strengthen global

response against climate change through mitigation as well as adaptation. Here, we would like to underscore that not only carbon taxes, but also other measures such as regulations can play an effective role in helping reduce emissions. To meet emission reduction commitments, each country must determine its policy tools taking into consideration its unique circumstances. Since fossil fuel is needed for many decades to come to provide affordable and reliable energy and help eradicate poverty, we believe that stimulating large-scale investments in Carbon Capture, Use and Storage (CCUS) systems will help in mitigating emissions while reliably meeting energy needs. On climate change work, it is important to ensure that the Fund's work remains in line with its mandate. In addition, the Fund must pay due attention to the reality on the ground and the political economy constraints. Furthermore, Fund's close coordination with other international organizations is essential to ensure complementarity and avoid duplication.

We hope that the work underway to further support fragile and conflict-affected states and those dealing with refugees will lead to positive outcomes. Notably, it is important to upgrade Fund engagement in all aspects through policy advice, capacity development, and financial support, if needed. We urge the Fund to steps up its efforts in this area.

Improving regional diversity in the Fund remains a key priority. The goal of the current comprehensive compensation and benefits review should be to ensure that the Fund attracts high-caliber talent with diverse background. We hope that this review will contribute towards attracting more staff from the under-represented MENA region. We call upon the Fund management to further push toward meeting the Fund's 2020 diversity benchmarks and to send a strong signal about its commitment to the institution's diversity objectives by establishing ambitious 2025 diversity benchmarks.

Recent Economic Developments in Saudi Arabia

The private sector growth is showing strong momentum as structural reforms continue to take hold. In particular, it expanded by 3.4 percent in the second quarter of 2019, the fastest pace since 2015. This has been made possible thanks to the focus on promoting private sector-led growth, including through noteworthy achievements in supporting the business environment. On the fiscal side, the deficit declined in the first half of 2019 on the back of a significant increase in non-oil revenues, which grew by 14 percent over the same period. The financial sector remains sound and well-regulated and supervised. In June 2019, Saudi Arabia became the first Arab country to obtain a full membership of the Financial Action Task Force (FATF). The unemployment rate has declined in two quarters in a row with a higher female participation rate. The ongoing reforms would continue to have positive spillovers, especially in the MENA region.

Efforts to improve the business environment are yielding positive results. Notably, Saudi Arabia is among the top 20 improvers in the World Bank Doing Business 2020, reflecting positive advancements in nine key areas. Saudi Arabian General Investment Authority (SAGIA) has developed a "10-minute license" system, which provides near instant access to

the Saudi market. Notably, FDI inflows tripled in 2018. Saudi Arabia is the 7th most competitive economy among the G20 economies based on the 2019 IMD World Competitiveness Ranking. According to the Global Competitiveness Report 2019, published by the World Economic Forum recently, Saudi Arabia has improved three positions, reaching 36th globally.