



## INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

### **Forty-Fourth Meeting October 14, 2021**

**IMFC Statement by Mohammed bin Hadi Al Hussaini  
Minister of State for Financial Affairs**

**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 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,  
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** continues to recover despite the resurgence of the pandemic, but with a number of challenges and downside risks. Key among the challenges is the resurgence of the pandemic infection rates, driven by more contagious new variants of the virus and the ongoing supply shortages, which gave rise to inflation risks. If inflation does not abate, this could trigger earlier than expected monetary tightening. A sudden tightening of global financial conditions could, in turn, pose capital flight and debt stabilization risks. Moreover, debt burdens are rising in many countries and could limit the scope for policy action with the required financing from domestic banks risks crowding out private sector investments.

2. Another major challenge stems from persistent economic divergences among and within countries, reflecting differentiated vaccine access and early policy support. Deepening divergences will inevitably have adverse implications and spillovers, notably cross-border tensions, forced migrations, and increased vulnerability and fragility. Against this background, we emphasize the importance of global cooperation to ensure universal access to vaccines and a strong financial safety net. To ensure a successful exit from the crisis, these efforts will need to be coupled with sound policy frameworks and ambitious domestic reforms, which would facilitate progress towards sustainable economic development. The latter is particularly important in emerging market and developing countries (EMDCs) and the MENA region, where job creation, more equal opportunities, financial inclusion, the digitalization of the economy, and a greener economy; all are pressing sustainability concerns.

3. **The MENA region** is facing a fourth wave of the pandemic, while infections are relatively contained in countries that have made early progress toward vaccinating their populations and residents. The recovery is multispeed as vaccination rates varied and policy support also varied in its magnitude. After contracting in 2020, the MENA region real GDP is projected to expand to 4.1 percent in 2021, and the recovery will further firm up in 2022. We are pleased that IMF growth projections for the region been revised upwards since April for both 2021 and 2022. Overall, the growth profile for MENA is weaker than other EMDCs, partly reflecting the pace of vaccine rollout and limited policy space in some countries. This calls for increased attention by international financial organizations, and the IMF in particular, to identify the reasons for this

divergence and support the specific needs of the MENA region, as we will discuss in further detail in the remainder of the statement.

4. With regard to vaccination status, we encourage use of up-to-date data to reflect the accurate number of vaccinated people in the region. The percentages for the United Arab Emirates currently stand at about 85 percent of the population and 95.5 percent with at least one dose. The same is true for Bahrain, Kuwait, and Qatar, and Oman accelerated vaccination in the second half of the year. Vaccination rates in Egypt remain low but have accelerated since June and have reached full pre-purchase procurement, as noted in the IMF staff's Pandemic Proposal Update. Protecting lives and livelihood remains the first priority in the region, and for this, accelerated vaccine deployment is needed amidst strong global and regional cooperation.

5. **Our constituency** includes a diverse group of countries at different stages of vaccine rollout and support to their economies; but all remain united in their common goal of saving the lives and preserving the livelihoods of their citizens. The rapid policy responses to the COVID-19 pandemic helped kick-start economic activity in 2021, although the recovery is still uneven, with lack of fiscal space and dependence on tourism weighing on growth. Policymakers are now facing more difficult tradeoffs between protecting lives and livelihoods, fostering a self-sustaining, inclusive, and greener recovery, preserving fiscal sustainability and financial stability, and investing in the future. To achieve debt sustainability, many countries are already implementing fiscal consolidation plans, anchored on a credible medium-term fiscal framework and debt management strategies. In addition to the challenges posed by limited fiscal policy space, several countries now face the added burden of diminishing monetary space, given rising inflation. Monetary authorities are also alert to financial stability risks and are carefully monitoring the banking systems' loan performance and corporate leverage.

6. In our oil-exporting countries, the rebound in oil prices since the last quarter of 2020 is helping the recovery. It will also support fiscal and external accounts and have confidence effects, supporting non-oil GDP. 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-19 shock and will face daunting challenges, with deepening humanitarian concerns. 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 was expanded and 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 in 2021 under COVAX. Beyond the near-term, our member countries are keenly aware of the structural challenges facing their economies. We emphasize that the priorities for **long-term transformation** need to be tailored to each country, with appropriate sequencing.

7. The Middle East region will be hosting a series of **high-level international events** in the coming year. In addition to the ongoing Dubai Expo2020, the first global exposition to take place in the Middle East, which will continue until end-March 2021, these include the IMF-World Bank

Annual Meetings in Morocco in October 2022, which will be followed by the COP27 in Egypt in November 2022. We encourage the IMF to further strengthen its engagement and partnerships with the region ahead of these events.

## II. OUR EXPECTATIONS FOR THE IMF

8. We commend the IMF management and staff for the agile responses to the prolonged COVID-19 crisis. The Middle East region was facing multiple challenges even before the onset of the pandemic, and we very much appreciate the responsiveness and flexibility of the IMF's Middle East and Central Asia and other departments. We welcome the Managing Director's **Global Policy Agenda** (GPA), which appropriately focuses on three priorities: vaccinating, calibrating policies, and accelerating the transformation of the global economy. We underscore the need for IMF work to focus on the following areas:

9. **IMF Lending and Policy Advice:** We would like to recognize the historic nature of the SDR allocation, the largest SDR allocation in the history of the IMF, and welcome work on channeling SDRs to low- and MICs through a new **Resilience and Sustainability Trust** (RST). More broadly, we call on the IMF to strengthen its role in **Middle-Income Countries** (MICs): to help address their immediate and long-standing challenges. Rising vulnerabilities in these countries cannot be ignored, as they are among the hardest hit by the pandemic and projected to have lower per capita GDP levels in 2025 compared to the pre-crisis period. Moreover, MICs host eight out of ten people suffering from extreme poverty. We encourage the IMF to include a large number of MICs under the RST and to accelerate the operationalization of the trust. We believe that SDR channeling to support lending by multilateral development banks is a less preferable option. 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.

10. MICs face immediate and long-standing challenges that also need to be addressed through adequate and timely capacity development and tailored policy advice. We call for attention to potential adverse spillovers from monetary normalization in advanced countries and see merit in better monitoring inflationary pressures and capital flow movements in MICs. There are various opinions as to whether or not inflation may be transitory. If inflation ends up not being transitory, the implications could be dire. This is particularly the case for the Middle East, which is a net food importing region, where persistent inflation would come with its own challenges for growth, food security, and poverty, amongst others. We encourage the IMF to further analyze the scenario that inflation may not be transitory and its implications. In our oil-exporting countries, we encourage the IMF to deepen its work on efforts and reforms aimed at accelerating **economic diversification** in the context of its surveillance, lending, and capacity development activities. We also encourage strengthening the IMF surveillance activity by accelerating analysis of the pandemic's impact on labor markets, productivity, and private sector viability to help inform policy advice. As policymakers are now facing more difficult tradeoffs between protecting lives and livelihoods,

preserving fiscal sustainability and financial stability, and investing in the future, the IMF should provide **tailored and country-specific policy advice**.

11. **Debt Management:** The IMF must pursue its efforts to address rising debt vulnerabilities in member countries. Despite the limited number of sovereign defaults to date, the fears of a systemic debt crisis are present. Recent IMF work highlighted the substantial increases in emerging countries' debt levels as a result of the unprecedented fiscal responses to the pandemic. We call for particular attention to the banks-sovereigns nexus and associated vulnerabilities. For developing countries facing debt challenges, we urge private sector participation to ensure the success of the G-20 Common Framework. 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 and to promote more transparency by creditors.

12. **Sustainability:** We remain of the view that **the Fund's work on climate change must fit within a comprehensive sustainability and development framework**. This is particularly relevant in EMDCs in which job creation, more equal opportunities, financial inclusion, the digitalization of the economy, and a greener economy; all are pressing sustainability concerns in these countries with critical macroeconomic implications. It is important that the IMF's work on climate change balances adaptation, transition, and mitigation needs. Careful attention to **climate adaptation** is essential in the Middle East region as this directly impacts the livelihoods of the vulnerable populations. This work should consider lower precipitation, rising sea levels, and water scarcity, along with rising temperatures and greenhouse gas emissions, as well as climate change that causes marine hurricanes on coastal areas of the Gulf Peninsula. **Managing the transition** is also essential, notably in hydrocarbon-exporting countries. It is also important for the IMF's work on climate change to be carried out in the context of the Paris Agreement, and in cooperation with other relevant international organizations. Adequate IMF **budgetary resources** are essential to respond to the climate change adaptation and transition needs of the membership, alongside mitigation.

13. We are particularly concerned about the **social consequences** of a prolonged impact from the pandemic, which warrants careful attention by the IMF, including to the adequacy of the social safety nets in place. The IMF could encourage initiatives similar to Egypt's Decent Life (Hayah Karima) program, which is positively impacting 60 percent of the population, especially in rural areas, and contributes to mitigating the negative impacts of the pandemic by improving the standards of living conditions of the neediest groups. Implementation of effective macroeconomic policies in the country, supported by a successful IMF program, provided a strong foundation and fiscal space for structural and localized reforms, including the Decent Life initiative. We emphasize the need for the IMF to provide country-tailored advice to member countries and our region in creating jobs and promoting more equality and financial inclusion.

14. **Digitalization.** In the fast-evolving technology landscape, it is important to address the digital divide across and within countries, as well as leverage digitalization to promote strong and inclusive growth. We fully support the IMF's work on digitalization in partnership with other international financial institutions. Countries in our constituency are making progress towards embracing digitalization, including in the financial sector and in monetary arrangements. Work on the implications of central bank digital currencies (CBDC) must be complemented by advice on how to mitigate the risks to financial stability and integrity. **Adequate budgetary resources** are needed so the IMF can support the membership meaningfully in the area of digitalization.

15. **Fragile and conflict-affected states (FCS), small states and countries hosting refugees:** Fragile and conflict-affected countries, including Yemen, tourism-reliant small states such as the Maldives, as well as countries hosting large refugee populations and dealing with large internally displaced populations, like Iraq, Jordan, and Lebanon, are hard-hit by the COVID-19 shock and will face daunting challenges, with deepening humanitarian concerns. The IMF has an important role to play in these countries. Economic development in FCS is a key contributor to peacebuilding and stabilization of fragile and conflict-affected situations. We look to the IMF and the international community to provide substantial support to FCS—including through tailored IMF policy advice, capacity development, and additional financing, as well as through debt service relief, and through catalyzing other support. The IMF's financial support to many FCS remains constrained, and we encourage the IMF to accelerate its consideration of financing options. We also call on the IMF to **assess the direct and indirect economic implications on hosting communities and countries of hosting large refugee flows.** This work is essential in the effort to mobilize adequate and timely donor support.

16. **Quota reform.** Our chair is committed to a strong, quota-based, and adequately resourced IMF at the center of the global financial safety net. The 16<sup>th</sup> 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. The principles underpinning the 2008 quota reform remain valid and should continue to underpin the quota formula review in the context of the 16<sup>th</sup> 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 16<sup>th</sup> Review.** It is essential for the 16<sup>th</sup> 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 Fund's legitimacy and its efficiency. It is also important in the context of the COVID-19, which has severely affected many EMDCs.

17. **Diversity and inclusion:** Progress towards geographic diversity and inclusion at the IMF, particularly for the Arab countries, remains very slow. We, therefore, call for **strong management commitment and 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 an **accountability mechanism** across all levels of institutional management in this regard. We ask the IMF to implement a **multi-year strategy on geographic diversity** with set objectives and timeline, to be assessed by the Executive Board every six months. Members of our constituency believe that a better understanding of our region's political economy benefits IMF staff's work by facilitating communication and strengthening engagement. In this connection, knowledge of the Arabic language is essential, and we welcome steps taken so far in this direction for some of the missions to our countries. We encourage more systematic assignment of Arabic-speaking IMF staff to work on the region, including a larger number of mission chiefs and staff working on regional analysis, as well as enabling them to issue complex technical work papers in Arabic. The Maldives would also benefit from the employment of a Maldivian national in the regional Resident Representative Office.