



# INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

## **Forty-Eighth Meeting October 13–14, 2023**

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**Statement by Mr. Aljadaan  
Saudi Arabia**



**Statement to the International Monetary and Financial Committee**  
**By Mohammed Aljadaan**  
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*I am very pleased to attend the 2023 Annual Meetings in Marrakech, and I would like to thank the Moroccan authorities for their hospitality and all of their efforts to make these meetings successful despite the devastating earthquake. On this note, I would like to reiterate my deepest sympathies and condolences to the people of Morocco for the tragic loss of life. The joint efforts of the World Bank and the IMF, in coordination with the Moroccan authorities, to proceed with holding the meetings without disrupting vital relief and reconstruction efforts remind us of our core mission to work collectively to respond to shocks and crises, both here and elsewhere in the world.*

The near-term resilience of the global economy is encouraging. Nonetheless, widening growth divergences among regions and countries, food security concerns, and rising sovereign debt vulnerabilities will further undermine global efforts to effectively address poverty and income inequality. Global growth projections remain below pre-pandemic levels, core inflation, while easing, remains relatively sticky, and prospects for income convergence in Low-Income Countries (LICs) are becoming weaker. The monetary policy tightening in advanced economies, which is necessary to restore price stability, has nevertheless resulted in negative spillovers for many Emerging Markets and Developing Countries (EMDEs). The rise of geo-economic fragmentation has motivated trade restrictions, which contribute to a reversal of economic integration and a disruption of global flows of goods, services, and capital across borders. Upholding multilateralism and an open international trading system should therefore be prioritized to enhance the resilience of the global economy, support growth and ensure that no one is left behind.

The World Bank-IMF meetings in Morocco represent a great opportunity to have a timely discussion on the challenges facing MENAP and other developing countries, and on the way forward to address these challenges. The successive external shocks, in combination with the challenging initial conditions, have put the fiscal and external sectors in many countries in the MENAP region under pressure. We underscore the importance of the IMF's role to help vulnerable countries in the region to restore macroeconomic stability and promote sustainable and inclusive growth through tailored policy advice, technical assistance, and timely financial support. Considering the significant number of Fragile and Conflict-Affected States (FCS) in the region, the effective implementation of the FCS strategy is vital to ensure a successful IMF engagement with a more meaningful impact. Moreover, stepping up IMF efforts to meet the overdue benchmark for MENAP staff representation remains critical to helping develop a better understanding among relevant country teams of the region's challenges and needs.

In Saudi Arabia, Vision 2030 is on a fast track to achieve its targets and ultimate objectives. Despite the challenging global environment, non-oil GDP is growing stronger, unemployment is at a record low, inflation is contained, fiscal and external buffers are robust, and the banking system

remains strong, liquid, and well-capitalized underpinned by sound supervisory and regulatory frameworks. Saudi Arabia maintains a close engagement and collaboration with the IMF to support members' economic reform programs and catalyze further international support to help the membership navigate these challenging times, which should have positive spillovers for the region.

### **The role of the IMF at this juncture**

There is only one IMF in the world, and it has a unique mandate and responsibilities. We therefore look to the IMF to remain focused on its core activities to maintain the stability of the international monetary system and facilitate international trade to promote growth and prosperity. We are cognizant of the IMF's need to adapt to the evolving economic landscape to better serve the membership. However, with the competing demands on the IMF's resources in a more shock-prone world, the IMF will be most impactful if it prioritizes its core activities, while leveraging the expertise of international partners in other work areas where they have the comparative advantage, to avoid duplication of efforts and ensure efficient allocation of resources.

Surveillance is a core competency and mandate of the IMF and a very important tool to fulfill its mission. The updated mandate of the World Bank Group that includes climate change as part of its vision and mission should provide headroom for the IMF to focus its surveillance on the core activities by enhancing complementarity and synergies with the World Bank Group in the climate-related work. We see scope for the IMF to focus more on macro-financial surveillance issues and financial spillover risks to EMDEs from monetary policy and financial sector developments in advanced economies. The sovereign debt distress and the financial stability risks in the context of a higher-for-longer interest rate environment deserve careful attention. Raising awareness about the cost of fragmentation and the benefits of free and fair trade will contribute positively to policy discussions and highlight the need for stronger multilateral cooperation and lowered trade tensions. Collaboration with the World Trade Organization (WTO) to ensure timely policy advice on trade-related issues, in line with the respective mandates, is warranted to enhance international trade to support the recovery of the global economy and effectively address poverty and income inequality challenges. The policy dialogue on macro-critical structural reforms remains an important work area under surveillance to strengthen public finances, enhance labor market participation, boost productivity, and support inclusive growth.

The current IMF resource envelope remains adequate to help meet member countries' balance of payments needs during times of shocks. That said, reviewing the lending toolkit and precautionary facilities is appropriate to ensure that the Fund's instruments remain effective and fit for purpose to serve the membership in a timely manner. In the context of rising debt vulnerabilities, we welcome that the IMF is looking into policy reform options to enhance its capacity to support

vulnerable members undertaking debt restructuring. Nonetheless, we also emphasize the need for concerted international efforts, including from the IMF, to institutionalize the G20 Common Framework (CF) to enhance its effectiveness not only to prevent sovereign debt crises but also to help restore debt sustainability, which is a precondition for IMF financing programs. We are also open to exploring options for providing temporary surcharge relief to help affected members cope with the elevated financing pressure, without undermining the adequacy of the IMF's precautionary balances or the incentives to limit protracted and large exposure to IMF credit. On a related note, we welcome that the PRGT loan pledges have been met—a significant milestone that Saudi Arabia helped to achieve through the largest loan contributions to the PRGT since the 2021 SDR allocation and commencement of the 2021 PRGT fundraising round, amounting to SDR 2.8 billion, equivalent to around 29% of our allocation.

We continue to rely on the IMF to help strengthen institutions and policymaking capacity to support economic stability and growth across the membership. We support the IMF's continued effort to strengthen the integration between capacity development (CD) and the policy dialogue under surveillance, as well as programs to enhance the overall engagement of the IMF with member countries. Scaling up the CD delivery, with focus on the core areas that are critical for LICs and FCS, is of great importance. Saudi Arabia looks forward to supporting the IMF's efforts to enhance the delivery of CD by its commitment to invest US\$279 million over the next 10 years in building capacity across MENAP countries through the new IMF regional office in Riyadh.

### **The 16<sup>th</sup> General Review of Quota (GRQ)**

We support a strong, quota-based, and adequately resourced IMF at the center of the global financial safety net. We remain committed to completing the 16<sup>th</sup> GRQ by end-2023. To this end, and given the limited time left, a pragmatic solution that restores the primacy of quota is needed. We support a 50 percent quota increase, as long as it is fully equiproportional, which would fully replace BBAs and reduce NABs to maintain the overall lending capacity. Since borrowed resources have worked well in the past and remain practically viable for insuring against tail-end risks, we see merit in retaining the NAB and BBA framework without committing resources now to supplement quotas as and when needed in future crises. We are encouraged by the convergence in views toward accepting a fully equiproportional increase as a pragmatic solution to reach consensus. It is imperative that any future realignment is based on agreed guiding principles and broad consensus without prejudging the 17<sup>th</sup> GRQ, while taking stock of a cumulative view of the past and future reviews. We are open to the discussions on a broader reform package aimed at enhancing the voice and representation of EMDEs, individually and collectively, in the Executive Board, although not to the detriment of other EMDEs. In this context, shares of all EMDEs must be fully protected. To ensure a balanced regional representation on the Board, we support creating

a 25<sup>th</sup> chair for Sub-Saharan Africa while protecting representation of MENA to a minimum of 3 chairs.