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Statement by Mr. Al Hussaini
United Arab Emirates

On behalf of
Kingdom of Bahrain, Arab Republic of Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, Somalia, United Arab Emirates, and Republic of Yemen

Statement by His Excellency Mohammed bin Hadi Al Hussaini,
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On Behalf of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, Somalia, United Arab Emirates, and Yemen
International Monetary and Financial Committee

I. The Global Economy, the Middle East and North Africa (MENA) Region, and our Constituency

1. At the outset, we express our deep concern about the profound humanitarian crisis in Gaza and Lebanon. The conflict in the two countries has had significant implications for the lives and future of citizens of the two countries as well as for the peace and security of the entire region. In addition, the conflict is having negative economic impact particularly on neighboring countries such as Egypt and Jordan. We call on the international community to use all its influence to prevent further escalation and end this crisis. The civilian population must be spared from greater harm, and we need to ensure that humanitarian assistance can be delivered in a safe and timely manner, without any hindrance. Countries in our constituency continue to exert every effort to de-escalate and create conditions for the return of stability and the achievement of lasting and sustainable peace, which will positively contribute to global stability and prosperity.

The Global Economy

2. **Since our last discussion. both advanced and emerging market and developing economies (EMDEs) have demonstrated resilience, although the recovery remains uneven and uncertainties high**. While activity among advanced economies is becoming more synchronized and EMDEs have been resilient, the recovery among the latter remains uneven, and many low-income countries (LICs) and fragile and conflict-affected states (FCS) remain vulnerable, with significant scarring from recent shocks.

3. **Against this background, policy efforts should concentrate on reform strategies that enhance growth and ensure debt sustainability.** Fiscal policy, which has remained loose since the pandemic, needs to ensure a sustainable path and to rebuild fiscal buffers. Structural reforms are necessary to enhance medium-term growth prospects, with adequate support for the most vulnerable, which includes safeguarding safety nets.

4. **Fiscal policy should focus on consolidation to ensure debt sustainability and on strengthening fiscal governance.** Restoring fiscal buffers requires a consolidation path that is carefully calibrated to country-specific economic conditions. The path of consolidation should be gradual and well-communicating to enhance public support for fiscal consolidation. Difficult tradeoffs continue to face policymakers in EMDEs, between protecting the vulnerable, preventing rising debt levels, and meeting development and transformational needs. It is essential that fiscal

consolidation preserves priority investments and the vulnerable—the latter being critical for maintaining social cohesion. High inequality remains a concern as it can fuel social discontent. Protecting the vulnerable from the cost-of-living crisis with targeted and temporary measures is essential. This vulnerable group now increasingly includes middle-income households, which have traditionally been a key indicator of a country's overall economic health. Therefore, policy advice should focus on the most effective ways to support these middle-income households.

5. **Monetary policy must ensure that inflation returns to target.** Several EMDEs continue to face tradeoffs as they need to maintain a tight monetary stance given the ongoing geopolitical tensions and still tight global financing conditions. These include the impact of tighter monetary policy on public debt, especially where debt levels are elevated, and fiscal space is limited, as well as potential financial sector stresses that could lead to macro-financial instability.

6. **Structural reforms are key to raising productivity and fostering income convergence**. Analytical work by the IMF highlights the benefits of targeted and well-sequenced structural measures, including governance, business regulation, and digitalization, that can provide substantial productivity gains and growth. In EMDEs with large initial structural gaps, the estimated output effects of a major reform package are sizable-about 4 percent in two years and 8 percent in four years. This work is valuable considering the social and political challenges of implementing wide-ranging reforms. Employment, especially youth and women employment, gender and income equality, as well as economic diversification, are major challenges facing the MENA region and EMDEs more broadly and they merit closer attention. Strategies to enhance the social acceptability of structural reforms are also essential for sustaining outreach and bolstering public support for reforms.

7. **Multilateral cooperation is urgently needed to progress on issues of common interest.** These include, in particular, securing global peace, safeguarding global trade, addressing debt vulnerabilities, providing financing for climate adaptation, while supporting climate transition efforts, and harnessing digitalization. Food and energy security can be ensured by strengthening trade relations through multilateral cooperation. Within this multilateral effort, as it celebrates its eightieth birthday, the IMF should continue to use its convening power to advocate for international cooperation to build collective resilience and shared prosperity.

The MENA Region and Our Constituency

8. **Growth is expected to decelerate in the MENA region compared to our last meeting in April 2024, due to oil production cuts, conflicts, and shocks**. Geopolitical developments, notably the conflict in Gaza and Lebanon and related disruptions in the Red Sea, tighter global financial conditions, tight policy settings in several MENA emerging market and middle-income economies, as well as oil production cuts; all are factors continuing to weigh on growth in the region. On the bright side, the MENA oil exporters have generally been able to navigate the

challenging and uncertain global landscape well. Non-oil growth remains robust in most oil exporters, owing to continued structural reforms and economic diversification efforts.

9. **Efforts by our policymakers to restore price stability have paid off.** Some Central banks in the MENA region increased interest rates in 2024 in response to elevated inflation and committed to follow a data-dependent approach if inflation persists. Moreover, countries with pegs to the USD raised interest rates broadly with or following the US Federal Reserve's rate increases and they have reduced rates for the first time in four years with the Fed rate cut. As a result, the disinflation process has continued across the MENA with headline inflation coming down significantly compared to peak inflation levels over the past two years. However, inflation remains elevated in a few cases due to country-specific challenges. MENA countries strived to preserve central bank independence and avoided monetary financing so that monetary policy can be a more effective tool to stabilize inflation.

10. **Fiscal policy in the region continues to strive to preserve debt sustainability, build buffers, and support monetary tightening.** Variation in fiscal balances remain wide in 2024 between oil exporters and importers in our constituency. Oil importers in our constituency continued to have limited fiscal space. Moreover, in some of our middle-income oil importing countries, considerable fiscal consolidation efforts continue to be partly offset by higher interest expenses. Despite large cumulative primary balance improvements, the high interest burden overwhelms the fiscal effort. This is a pressing dilemma for many Ministers of Finance, especially that they are faced with rising social pressures amidst persisting inflation, as well as continued development needs. A key vulnerability for the **LICs and fragile and FCS** in our region is their persistent lack of fiscal space to protect their vulnerable populations and the challenges associated with food insecurity. Many FCS also face debt sustainability constraints. In these countries, any new shocks could stoke social tensions and weigh further on growth. In many of our oil-exporting countries, the overall fiscal balance is projected to be lower compared to recent history, as declining oil revenues counter any gains on the non-oil side. Nonetheless, strong buffers remain in place across most of the countries.

11. **Our Constituency members are striving to strengthen resilience and growth prospects by pressing ahead with structural reforms**. IMF staff work showed that a number of structural factors, conflicts and geo-political issues, as well as climate change have held back total factor productivity growth in the MENA region. Against this background, policymakers in our Constituency members are accelerating reforms to improve resilience, strengthen institutions, promote SMEs development and entrepreneurship through financial inclusion, access to finance, and business development services, restructuring SOEs and enhancing their governance, and address the challenges of youth employment and female labor force participation rates. As part of their efforts to achieve the Sustainable Development Goals (SDGs) and their commitment to addressing global challenges, several members of our constituency are accelerating investments in renewable energy, promoting sustainable finance, and supporting climate resilience in vulnerable

nations. Our region is also keenly aware of the importance of regional integration and cooperation, which entails promoting trade and investment and harmonizing regulatory frameworks.

12. **Over the past few months, our constituency members' engagement with the IMF can be summarized as follows**:

a. **Bahrain**: Bahraini authorities estimate growth to have moderated to 3 percent in 2023, with non-oil GDP growth of 4 percent, reflecting fiscal consolidation, higher interest rates, and base effect from the strong performance of 2022. Inflation has eased since peaking in 2022. The authorities remain strongly committed to their fiscal and structural reform agenda, as outlined in the Fiscal Balance Program and the Economic Recovery Plan, which focus on reducing the fiscal deficit and public debt while advancing diversification efforts. Those efforts include increasing labor market flexibility and female labor force participation, enhancing economic and digital infrastructure, and addressing climate change challenges. On July 5, 2023, the IMF's Executive Board concluded the 2023 Article IV consultation with the Kingdom of Bahrain.

b. **Egypt**: In December 2022, the IMF Executive Board approved a 46-month arrangement under the Extended Fund Facility (EFF) for Egypt in the amount of about US$3 billion, which was subsequently augmented to about US$8 billion. On July 29, 2024, the IMF Executive Board completed its third review under the Extended Arrangement under the EFF for Egypt. It noted that the authorities' efforts to restore macroeconomic stability had started to yield positive results, that inflation is coming down, and that a flexible exchange rate regime remains a cornerstone of the authorities' program. The regional environment remains difficult, however, and complex domestic policy challenges underscore the need for decisive implementation of the reform program. Continued fiscal consolidation, with strengthened revenue mobilization, would help create the space needed to expand social programs. Accelerating structural reforms to help raise private sector growth is also key.

c. Iraq: On May 13, 2024, IMF Executive Board concluded its 2024 Article IV Consultation with Iraq. It welcomed Iraq's strong economic rebound, declining inflation, and improved domestic conditions, which resulted in the enactment of the first-ever three-year budget. Directors underscored the need for sound macroeconomic policies and structural reforms to secure fiscal and debt sustainability, advance economic diversification, and spur private sector–led growth. They emphasized the need for fiscal adjustment to stabilize debt in the medium term and rebuild fiscal buffers and encouraged the authorities to control the public wage bill, phase out mandatory hiring policies, mobilize non-oil revenues, and better target social assistance. Directors commended the central bank's efforts to tighten monetary policy and enhance its liquidity management framework and noted that improving coordination between fiscal and monetary operations would help absorb excess liquidity and enhance monetary policy transmission. They also stressed the importance of accelerating the restructuring of Iraq's large state-owned banks.

d. **Jordan**: On January 10, 2024, the IMF Executive Board approved a four-year EFF arrangement with Jordan, amounting to about US$1.2 billion. On October 10, 2024, the IMF staff concluded Article IV discussions and reached staff level agreement on the second review under the Extended Fund Facility. The staff stated that Jordan continues to show resilience and maintain macro-economic stability, despite the headwinds caused by the intensifying conflict in the region. Bringing the Jordanian economy onto a higher growth trajectory is essential to create more jobs and raise prosperity. This requires accelerating structural reforms, while maintaining macro-economic stability, and making significant progress in implementing the authorities' Economic Modernization Vision. Continued support from the international community is needed, including to help Jordan shoulder the burden of hosting large numbers of Syrian refugees.

e. **Kuwait**: IMF staff visited Kuwait in October 2024 to discuss the country's economic and financial developments, outlook, and policy priorities. While the economic recovery was disrupted in 2023, inflation is moderating and the external position remained strong. Although the fiscal balance of the budgetary central government, the fiscal balance of the general government (which includes the income from Sovereign Wealth Fund investments) was an estimated 26.0 percent of GDP in FY2023/24. Financial stability has been maintained. Under the baseline assuming current policies, staff projected the economy to contract in 2024, then to recover over the medium term. Staff acknowledged the authorities' aspiration to implement reforms to support the transition to a dynamic and diversified economy. They considered that Kuwait has a window of opportunity to implement needed fiscal and structural reforms to boost private sector-led inclusive growth and diversify its economy away from oil. Structural reforms should focus on improving the business environment, attracting FDI, and unifying the labor market. These reforms should be underpinned by continued prudent monetary and financial sector policies. Kuwait has contributed to the Poverty Reduction and Growth Facility (PRGF) and Heavily Indebted Poor Countries (HIPC) Trust in support of the IMF's concessional assistance to low-income countries. Its contribution includes an interest-free deposit of SDR 4.2 million and a grant contribution of SDR 0.1 million.

f. **Lebanon**: Since September 17, 2024, Lebanon has been experiencing escalating violence, as well as an unprecedented surge in casualties, destruction, and displacement. In just the past two weeks, more than 1,000 people have lost their lives, over 6,000 have been injured, and an estimated 1.2 million people have been directly affected or internally displaced. Lebanon hosts the largest number of refugees, notably from Syria and Palestine, relative to the size of its population. This has contributed to a fragile socioeconomic situation in a country with a weak institutional framework, which culminated in a full- blown economic crisis since 2019. An IMF mission that visited Lebanon in September 2023 indicated that lack of action on urgently needed reforms weighed heavily on the economy. Despite the relative improvements in the private sector, Lebanon continues to face enormous economic challenges, with a feeble banking sector, eroding public services, deteriorating infrastructure, worsening poverty and unemployment conditions, and widening inequality. A permanent solution requires comprehensive policy decisions from Parliament and the Government to contain the external and fiscal deficits and start the restructuring of the banking system and major state-owned enterprises. More recently, Lebanon's difficult situation has been exacerbated by the ongoing conflict in Gaza and its own territory. Support from the international community is essential to help Lebanon, including to shoulder the burden of hosting the refugee flows.

g. **Maldives**: The Maldives' economy has demonstrated resilience to the overlapping shocks of recent years, achieving a robust recovery, driven primarily by its dynamic tourism sector. Following rapid recovery from the COVID-19 shock, economic growth normalized, moderating to 4.1 percent in 2023. Over the medium term, the expansion of the Velana International Airport terminal and related development of tourism activities are expected to boost growth potential. Recognizing the elevated fiscal and external vulnerabilities, the new Maldives administration, which assumed office in November 2023, has pledged to undertake an ambitious homegrown fiscal adjustment program to restore debt sustainability and macroeconomic stability. The IMF Executive Board concluded the 2024 Article IV Consultation for the Maldives in May 2024. Directors noted the swift post-pandemic economic recovery as well as the significant fiscal and external vulnerabilities facing the country. They called for immediate policy adjustments to safeguard macroeconomic stability and restore debt sustainability and welcomed the homegrown fiscal reform agenda. They stressed the need for coordinated fiscal and monetary tightening to safeguard the exchange rate peg and commended the authorities for their decision to discontinue the central bank's advances for budget financing.

h. **Oman**: IMF staff visited Oman in May 2024 to discuss the country's economic and financial developments, outlook, and policy priorities. They noted that Oman's economic activity continues to expand, despite OPEC+ oil production cuts, with real GDP growing 1.3 percent in 2023 and expected to remain moderate at 0.9 percent in 2024 before accelerating to 4.1 percent in 2025. Nonhydrocarbon growth is projected to increase steadily, thanks to ongoing reforms and investment projects. Inflation has decelerated, with headline inflation reaching zero in early 2024, reflecting lower core, food, and transport inflation. Oman's fiscal and external positions remain strong, supported by favorable oil prices, higher nonhydrocarbon revenues, and sustained fiscal discipline. The country had a fiscal surplus of 6.6 percent of GDP in 2023, with government debt reduced to 36.5 percent of GDP. State-owned enterprise (SOE) debt stabilized, reflecting progress on the SOE reform agenda. The banking sector remains resilient, with robust capital and liquidity ratios and, for the first time since 2014, a positive net foreign asset position, thanks to a surge in foreign investment. The medium-term outlook is favorable, strengthened by continued structural reforms under Oman Vision 2040 that include enhancing tax administration, deepening financial markets, and advancing climate-related investments, particularly in renewable energy and green hydrogen initiatives. Oman made a contribution of SDR 39 million to the RST, which became effective on April 2023. Oman also pledged on October 2023 a contribution to the PRGT subsidy resources of SDR 18 million from net investment earnings to be generated by a long-term investment with the PRGT.

i. **Qatar**: On January 11, 2024, the Executive Board of the International Monetary Fund concluded the Article IV consultation with Qatar on a lapse-of-time basis. The Article IV consultation emphasized the importance of continued reforms, guided by the 3rd National Development Strategy to help achieve the ambitions of Qatar National Vision 2030, including boosting productivity and promoting economic diversification. The country is well placed to leverage the high-quality infrastructure created for the World Cup and to capitalize on the momentum and visibility it created. Additionally, in October 2023, during the Annual Meetings in Marrakech, Qatar signed agreements to contribute SDR 150 million to the PRGT and SDR 50 million to the RST.

j. **Somalia**: Somalia has achieved significant milestones in recent years.. On December 13, 2023, the Executive Boards of the IMF and World Bank determined that it had met the requirements to reach the Heavily Indebted Poor Countries (HIPC) Completion Point, making it the 37th country to receive debt relief under the initiative. Once the process is completed, Somalia's legacy debt will be reduced from 64 percent of GDP to 6 percent. This milestone was achieved through a whole-of-government commitment and consistent efforts to implement far-reaching structural reforms. Since 2016, Somalia has implemented 88 IMF–supported structural reforms under four consecutive Staff Monitored Programs and the 2020 Extended Credit Facility. It also adopted 13 IMF/World Bank HIPC Completion

Point reforms; implemented additional reforms supported by the World Bank, the African Development Bank, the European Union, and other development partners; and adopted numerous government-initiated reforms. On December 19, 2023, the Executive Board approved a new US$100 million Extended Credit Facility arrangement for Somalia. On May 29, 2024, the Executive Board completed its first review of the arrangement. Directors commended the Somali authorities for maintaining the reform momentum and meeting all indicative and quantitative performance criteria as well as all structural benchmarks due during the review period. They encouraged them to bolster domestic revenue mobilization to fully cover government operations by 2027, strengthen public finance management and expenditure controls, and improve the governance and legal framework of the Central Bank of Somalia (CBS), including by amending the CBS Act to enhance its autonomy and operations.

k. **United Arab Emirates (UAE)**: The United Arab Emirates experienced rapid economic growth in 2022, recording real GDP growth of 7.5 percent, with strong growth in both hydrocarbon and nonhydrocarbon sectors. Despite the contraction in hydrocarbon GDP as a result of the OPEC+ oil production cuts, the economy grew by 3.6 percent in 2023, thanks to robust growth in the nonhydrocarbon sectors. The authorities forecast growth to accelerate to 4.0 percent in 2024, largely as a result of continued strong growth in nonhydrocarbon activities. Over the medium term, the increase in oil and gas production and the implementation of multiple structural reforms to transform the economy are expected to boost growth. Higher oil prices and strong economic activity improved the country's fiscal and external positions in 2023. IMF staff concluded their 2024 Article IV visit to the United Arab Emirates in May 2024. They recommended that policy makers focus on delivering sustainable and diversified growth and ensuring financial and monetary stability while remaining agile in responding to uncertainties. Staff commended the country's prudent fiscal management and efforts to build fiscal space, including through the introduction of a corporate income tax. They recommended gradual fiscal consolidation and structural reforms to improve the medium-term policy framework. Staff recognized the authorities' commitment to strengthen the monetary policy framework and to fortify the resilience of the financial system. They commended the efforts made under the National AML/CFT Strategy and Action Plan, which have delivered strong results, including the country's exit from the Financial Action Task Force (FATF) gray list in February 2024. Staff noted the ambitious structural reform agenda and encouraged continued progress in advancing the Comprehensive Economic Partnership Agreements; attracting foreign direct investment; and implementing national strategies for artificial intelligence, digital economy and the green transition.

The government of the United Arab Emirates hosted the United Nations Climate Change Conference COP28 which took place in Dubai from November 30 to December 13, 2023.The UAE brought several world leaders together to launch the Global Climate Finance Framework, in which the IMF played an important role. The UAE made several contributions at COP28 towards the implementation of this framework, including launching the USD 30 billion ALTERRA fund, the world's largest private investment fund for climate which aims to mobilize investments in climate particularly in developing countries. The UAE also launched a US$ 4.5 billion Africa Green Investment Initiative and contributed USD 100 million to the Loss and Damage fund. The UAE pledged USD 200 million to the Resilience and Sustainability Trust at the World Climate Action Summit. The UAE also pledged USD 200 million to the PRGT to expand concessional financing for low-income countries.

l. **Yemen**: An IMF team conducted a staff visit with Yemeni authorities in Amman, Jordan from April 28 to May 2, 2024. Yemen continues to face a major humanitarian crisis, against the backdrop of a still unresolved conflict, higher global food and fuel prices, and a continued shortfall in external support. Economic and humanitarian conditions are deteriorating, with an estimated 17 million people—about half the population—facing food insecurity. Disbursements from the Gulf Cooperation Council support package and stable remittances have prevented an even worse crisis. Short-term risks to macroeconomic stability depend largely on the evolution of the conflict and the availability of financing. Sustaining reform momentum and progress on conflict resolution will be key to improving the economic outlook. The halt in oil exports since the attack on oil facilities in October 2022 continues to weigh on Yemen’s economy. Growth is estimated to have contracted by 2 percent in 2023; inflation remained high despite declining global food prices. The loss of oil exports, which represented more than half the government’s revenues (4 percent of GDP), is estimated to have widened the fiscal deficit to 4.5 percent of GDP in 2023, adding to pressures on reserves and the exchange rate. The authorities remain steadfastly committed to reforms, including further aligning multiple exchange rates for government transactions and refining the foreign exchange auction system. They have strengthened cash management through better expenditure control and prioritization. These measures have limited the size of the budget deficit and reduced reliance on monetary financing and associated inflationary pressures. Additional external support is urgently needed to alleviate financing pressures, reduce monetary financing, and safeguard hard-won exchange rate and price stability. External financial support remains critical to help ease fiscal pressures, limit monetary financing, and preserve price stability. Toward that end, active engagement with donors to address urgent needs, alongside efforts to improve the availability and consistency of financing, will be crucial.

II. **OUR EXPECTATIONS FOR THE IMF**

13. We welcome the Managing Director's Global Policy Agenda. We also appreciate the support of the IMF's Middle East and Central Asia and other departments to our region's needs. In the context of continued uncertainty, and given the numerous policy tradeoffs highlighted above, we look forward to the IMF's agile support to members, particularly FCS, low-income, and middle-income countries, through tailored policy advice, timely and adequate financial support, flexible conditionality and understanding of political-economy considerations, as well as targeted capacity development. The IMF is our member countries' trusted advisor and lender of last resort; it also has an exceptional convening power. Our priorities for the coming period are the following:

14. **It is essential that advice on fiscal policy considers the difficult tradeoffs facing policymakers, especially in EMDEs**. Reforms are often undermined by concerns over their negative distributional effects, particularly in low-income countries (LICs) and fragile, FCS within our region. Addressing these potential adverse effects will require complementary policies—such as targeted support—to ensure the broad and fair distribution of reform benefits. The IMF policy advice could usefully focus on protecting the vulnerable from the cost-of-living crisis with targeted and temporary measures. These include increasingly middle-income households, which have traditionally been representative of countries' overall economic health; it would be useful for the IMF to consider how best this group can be supported.

15. **There is urgency in dealing with increasing debt vulnerabilities in EMDEs,** with over two-thirds of these countries at high risk of debt distress. We support joint efforts by the international community to provide liquidity support where debt remains sustainable. For countries faced with unsustainable debt, timely and adequate debt restructuring—supported by the international community—remains the highest priority. To that effect, further efforts are needed to enhance the effectiveness of the Common Framework so that a larger number of countries could benefit from more predictable and timely debt treatments. The Global Sovereign Debt Roundtable (GSDR) initiative facilitates discussions on key issues, such as comparability of treatment and timeliness for restructuring processes. We encourage continued regular briefings to the IMF Executive Board on the GSDR work. We support the IMF's work on public debt transparency, fiscal risk management, the joint IMF and World Bank Multi-Pronged Approach to Debt Vulnerabilities, and we welcome improvements in the IMF's capacity to support countries undertaking a debt restructuring. We look forward to the upcoming review the Debt Sustainability Framework for Low-Income Countries aimed at assessing the effectiveness of the existing framework and enhancing it, including improving its underlying methodology. We welcome the PRGT reforms which aim to provide adequate concessional financing for Low Income Countries, while ensuring the PRGT's financial self-sustainability over the long term]. We call for enhanced work to alleviate debt vulnerabilities in middle-income countries, as warranted. The IMF, World Bank, and other Multilateral Development Banks should take the lead in accelerating debt restructuring mechanisms. This includes exploring debt resolution methods beyond the Common Framework to enhance efficiency and extend support to middle-income countries where necessary.

16. **EMDEs that need to maintain a tight monetary stance to tame inflation face difficult tradeoffs** as discussed above. Tailored policy advice is, therefore, crucial to support the membership. The IMF's policy advice on currency movements, in line with the Integrated Policy Framework and the revised Institutional View on Liberalization and Management of Capital Flows, remains timely and relevant. Temporary foreign exchange interventions can address episodes of market dysfunction while temporary capital flow measures on outflows may be useful in crisis situations. We encourage the IMF to conduct further analytical work on the benefits of pre-emptively implementing capital flow measures and macroprudential policy measures.

17. **We encourage the IMF to carry out additional work on structural reforms aimed at enhancing job creation, creating more equal opportunities, and fostering economic diversification,** which are key challenges facing EMDEs. Many EMDEs in our region face the additional challenge of hosting large refugee flows and internally displaced populations over prolonged periods of time. Hosting refugees is a global public good and cannot be shouldered by hosting communities alone. We recommend that the Fund conduct additional analytical work on the impacts on hosting communities, which would facilitate the mobilization of adequate and timely international support. Careful attention to distributional impacts—along with effective communication—can help build consensus around structural reforms. In this regard, the IMF could usefully develop/use tools, such as the Poverty and Social Impact Analysis, which can help in understanding and mitigating the unequal impacts of reforms, ensuring that the benefits are more widely shared.

18. **We welcome the recent review of IMF changes and surcharge policy, which provides much-needed relief to borrowing countries**. We believe that surcharges remain an appropriate risk management tool and represent an important portion of the IMF's income. However, in a challenging global environment and at a time of high interest rates, surcharges were disproportionately burdening vulnerable EMDEs that require large amounts of IMF financing. We are, therefore, pleased that the IMF approved lowering IMF borrowing costs for members by 36 percent, or about US$1.2 billion annually, and that the expected number of countries subject to surcharges in fiscal year 2026 will fall from 20 to 13. To prevent excessive financial strain on borrowing members, the IMF's charges and surcharge policy should be regularly evaluated and adjusted as needed.

19. **The Resilience and Sustainability Trust (RST) is an important complement to the Fund's lending toolkit**. We welcome the broad coordination principles with the World Bank Group and World Health Organization and call for expedited work to operationalize the RST on pandemic preparedness. We remain of the view that the RST should be expanded to key structural challenges affecting EMDEs, including job creation, more equal opportunities, and economic diversification. Such coverage is at the core of the RST objective to provide essential policy support and affordable long-term financing to help address risks to sustainable and inclusive

growth and support reforms. We encourage continued work in these areas in the run-up to the comprehensive review in 2026-27.

20. **IMF policies should aim to leverage the benefits of new digital technologies while mitigating risks and promoting financial inclusion**. We support the IMF's work with relevant institutions on modalities to improving cross-border payments, including through new payment infrastructures, and developing a framework for effective policy responses to crypto assets. Continued work is needed on evaluating the potential benefits and the development of a suitable framework for the implementation of Central Bank Digital Currency (CBDC). Several central banks within our constituency have initiated studies to explore the feasibility of CBDC implementation and we welcome continued work by the IMF on the implications. It is essential to offer detailed evaluation of the financial stability implications of issuing a CBDC in order to inform policy decisions that can mitigate potential adverse effects. Artificial intelligence (AI) has the potential to jumpstart productivity and growth, but it also risks disrupting labor markets and deepening inequality. A deeper focus on the implications of AI and automation on labor markets, productivity, and income distribution would be valuable. Further investigation into how AI reshapes macroeconomic structures is essential. It is worth noting that, some central banks within our constituency have issued AI guidelines "Regulating the use of AI by Licensed Entities." The IMF involvement should be directed by the Board and limited to the institution's mandate and core expertise. The AI preparedness index compiled by IMF staff helpfully shows countries' readiness to harness its potential and mitigate inherent risks.

21. **The IMF's work on addressing climate change** should continue to include adaptation, alongside mitigation, as a priority to ensure an orderly and just transition to a low-carbon global economy. The IMF has also an important role to play in ensuring that adequately climate financing is made available. Regarding carbon pricing, the IMF should explore a comprehensive set of financial and macroeconomic measures to facilitate an orderly transition to a low-emission economy. This transition must be equitable for the most vulnerable populations, including those for whom a focus on renewables may not yet be optimal, and should mitigate the social costs associated with the climate transition. Greater emphasis should be placed on policies that accelerate and incentivize innovation, technological transformation, and investment in green technologies across various sectors. We would also like to emphasize the implications of the Carbon Border Adjustment Mechanism on trade, particularly in EMDEs.

22. **We fully support the IMF's capacity development (CD) work.** We welcome the increase in the Middle East and Central Asia department's CD in the past two years. We trust that this trend will be sustained in the coming years owing to the activities of Lebanon's METAC, Kuwait's CEF, and the opening of the new regional office in Ryadh, where the Kingdom of Saudi Arabia's contribution is expected to alleviate funding constraints and help meet demand. We support the focus of planned CD on priority countries, namely program countries and FCS. In this connection, METAC continues to play a central role in CD efforts in our region as it provides technical assistance and training courses to fourteen countries, nine of which are FCS.

23. **The strength of the Fund comes from its talented and diverse employees.** The IMF's decreasing competitiveness and staff wellbeing are concerning matters that need to be addressed seriously. Also, we encourage efforts to achieve geographic diversity and inclusion benchmarks in underrepresented regions, particularly the MENA region. We are concerned about the current freeze on submissions for Green Card applications by retirees from International Financial Institutions headquartered in the United States, which poses significant risks for the IMF, affecting the diversity of its staff.

24. **A strong, quota-based, and adequately resourced Fund, at the center of the global financial safety net, is more essential than ever in the current global environment**. The 50 percent quota increase under the 16th General Review of Quotas reinforces the quota-based nature of the Fund and strengthens its capacity to safeguard financial stability and respond to members' needs in an uncertain and shock-prone world. We are working towards securing domestic consents to the quota increases by mid-November 2024. The 17th General Review of Quotas should seek to secure a stronger voice and representation for EMDEs. This should not come at the expense of other EMDEs and LICs members. We welcome the establishment of a new 25th chair chair on the IMF Executive Board for Sub-Saharan Africa, strengthening the voice and representation of the region..

25. **We extend our warmest congratulations to Ms. Georgieva on the commencement of her second term as Managing Director of the IMF.** We wish her continued success in leading the organization.