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IMFC Statement by Mohammed Aljadaan
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Statement to
The International Monetary and Financial Committee
By
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Global Economic Context

The global economic expansion is slowing, and downside risks are mounting. We note that global growth is receding in 2019, following downward revisions for several advanced and emerging market economies, but a modest pickup is expected in 2020. At the same time, the global economy continues to be subject to a number of downside risks, originating from persistent trade and geopolitical tensions and increased policy uncertainty. Growth prospects could also be affected by sudden shifts in market confidence, as financial conditions are still accommodative.

Against this background, we need to remain vigilant and we agree with the Fund's main policy message of "do no harm" to support global growth. We, as policymakers, should avoid policy missteps that could harm economic activity, while keeping vulnerabilities in check. Policymakers should also endeavor to improve the resilience of their economies and proactively use macroeconomic policies and structural reforms, tailored to individual country circumstances, to foster long-term sustainable and inclusive growth. Safeguarding financial stability, including by deploying macroprudential policies where needed, is also a priority.

The emphasis by the Fund on multilateralism remains appropriate. In the current environment of slower global growth, mounting risks, and limited policy space, we need to work together to upgrade global cooperation to address the challenges to the global economy. As a matter of priority, countries should continue their efforts to resolve trade disagreements cooperatively and help support global growth. In this context, we welcome the indication that the Fund will support efforts to strengthen the rules-based multilateral trade system through advocacy, analyses, and policy advice on the potential impact of trade tensions. Equally important is the need for greater international cooperation to help low-income countries make progress toward the 2030 Sustainable Development Goals.

To mitigate any negative impact of globalization, policymakers should ensure that growth benefits all segments of the population. Indeed, despite encouraging improvement in social indicators, progress in reducing unemployment, particularly of youth and female, remains limited and many countries face important challenges to ensure inclusiveness. It is therefore critical that policymakers commit more forcefully to ensuring that growth dividends are well shared by all.

Regarding the oil markets, Saudi Arabia remains committed to support the stability of the oil markets for the benefit of both producers and consumers. In this context, it is worth emphasizing that Saudi Arabia maintains substantial spare capacity as a result of the continued investment in energy infrastructure. This should help in meeting oil demand if there are any supply disruptions.

Challenges for the MENA Region

Growth remains very low in the MENA region, less than two percent in recent years, but it is projected to exceed 3 percent by 2020, although such level remains insufficient to accommodate the growing labor force and reduce unemployment. Therefore, more efforts are needed to improve growth prospects and enhance inclusiveness. Fiscal consolidation measures should be accompanied with a robust social safety net to mitigate the impact of reforms on the vulnerable segments of the population. Continued reforms will strengthen the role of the private sector in the region.

Global Policy Agenda: Joint Responsibility, Shared Rewards

Improving regional diversity in the Fund remains a key priority. The current comprehensive compensation and benefits review offers an opportunity to promote a framework that continues to help attract high-caliber and diverse talent. We also urge management to ensure that the current review of HR strategy results in concrete steps and timetable to enhance diversity in the Fund, especially for the under-represented MENA region.

We support current efforts by the Fund to upgrade its policy toolkit. In this context, we consider that the Fund would benefit from the ongoing reviews of surveillance, conditionality, the Financial Sector Assessment Program, and the facilities for low-income countries.

We support work by the Fund on fragile and conflict-affected states. We encourage the Fund to boost its engagement through capacity development, policy advice, and financial support that would hopefully catalyze additional donor financing and investment.

In its policy advice and communication, the Fund should develop better recognition of political realities on the ground. To enhance the traction of its policy advice, while strengthening ownership of reforms by stakeholders, the Fund needs to take into consideration countries' specificities when providing policy advice. For example, the Fund should offer countries a menu of options and be willing to accept second best solutions instead of insisting on the best one. This is particularly relevant with regard to Fund's advice on climate change where the Fund's focus is on carbon taxation instead of offering countries a menu of options, including regulations for energy efficiency and renewables. We also urge the Fund to focus on its core mandate and collaborate with the World Bank and other International Organizations in areas beyond its expertise.

We are fully committed to ensure that the lending capacity of the Fund remains strong. We look forward to concluding the work on the 15th General Review of Quotas soon and by no later than the Annual meetings of 2019. On the 16th General Review of Quotas, we consider that the normal 5-year cycle remains appropriate in order to give a realistic timeframe to the membership to reach a broad consensus.

Recent Economic Developments in Saudi Arabia

Reforms are progressing well, and non-oil sector growth is gaining momentum. Saudi Arabia's wide-ranging socioeconomic reforms are on track, reflecting stronger fiscal performance, sound financial sector, and improved employment opportunities, especially among the youth and women. Far-reaching reforms to further enhance the business environment and improve digitization of government are also starting to yield positive results. Against this background and on the back of the largest ever budgeted expenditure, non-oil sector growth in 2019 is expected to maintain strong momentum. The ongoing reforms would also have positive spillovers, especially in the MENA region.

The recently launched National Industrial Development and Logistics Program (NIDLP). The NIDLP, one of the 13 Vision Realization Programs under Saudi Vision 2030, aims to transform the country into a leading industrial powerhouse and an international logistics hub in fast-growth sectors (with focus on Industry 4.0). NIDLP is expected to enhance trade balance, maximize local content, and promote job creation.