



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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

Saudi Arabia

Statement to The International Monetary and Financial Committee

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The Global Economic Prospects

Many of the identified downside risks to the global economy at the time of the 2022 Spring meetings have materialized. Elevated and persistent inflation—together with slowing economic growth in many parts of the world—mean that policymakers face difficult trade-offs. Increased economic fragmentation has further complicated the current economic situation. In our region, the recent food shock has increased the financing gaps that many low- and middle-income countries need to cover. Moreover, the lack of adequate financing for climate-resilient infrastructure exposed vulnerable countries to additional risks.

The consistent messages of the flagship reports rightly focus on fighting inflation while protecting the most vulnerable. Monetary policy in many countries will need to be tightened further while fiscal policy should be carefully designed to avoid overburdening monetary policy in the fight against inflation. Given tighter global monetary and financial conditions, many EMDEs that were already grappling with long-standing economic challenges are now also facing rising debt vulnerabilities and financial stability risks.

Saudi Arabia has responded to the food and energy shocks with a substantial financial support to countries in the region to help them manage the associated challenges. In coordination with the IMF, this support has helped revive several IMF-supported programs. This brings the total Saudi financial contribution since the October 2021 Annual Meetings to US\$ 12.7 billion, equivalent to about 103% of our share of the recent SDR allocation. Relatedly, Saudi Arabia continues to strongly support the implementation of the G20 Common Framework (CF) to help eligible countries address rising debt vulnerabilities, and sees merit in exploring ways to further institutionalize the CF for the benefit of all.

The establishment of the new IMF regional office in Riyadh will strengthen the IMF's partnerships with the region. The office will develop strong partnership on capacity development and outreach for the GCC and the broader Middle East region, including by strengthening coordination with regional institutions. To support this office, Saudi Arabia has

committed to providing support of US\$279 million over the next 10 years to invest in building capacity in countries across the region.

The magnitude and nature of the challenges facing the global economy call for a coordinated international response on multiple fronts. Enhancing international cooperation and reducing economic fragmentation are paramount if we are to safely navigate these challenging times. Important areas for enhanced international cooperation include: 1) ensuring timely support for vulnerable countries to cushion the impact of the recent food price shock as well as the effects of tighter monetary and financial conditions; 2) accelerating the implementation of the CF and advance its institutionalization to ensure orderly and timely debt restructurings to bring meaningful debt relief to countries most in need; and 3) addressing the growing financial stability risks posed by the rapid developments of crypto assets through adequate monitoring as well as comprehensive and consistent regulation.

The IMF's Policy Agenda

The IMF needs to carefully manage competing demands on its resources and focus on its core mandate to safeguard growth and macro-financial stability. In the period ahead it will be critical to provide timely analysis and granular policy advice to ensure effectively coordinated domestic policies and intensified multilateral cooperation. Enhanced collaboration with other international institutions—such as the World Bank Group and UNFCCC—will better align and facilitate international efforts toward strengthening the resilience of the global economy to macro-critical issues such as climate change and gender gaps. On identifying new macro-critical issues, there is a need for clear guidelines and effective procedures to be agreed upon prior to any possible future integration into the IMF's work. Enhancing the effectiveness of the IMF's capacity development is critical to build economic resilience and facilitate structural transformation toward stronger and more inclusive growth in member countries.

Fostering multilateralism and international trade is a priority. The IMF has the capacity to guide and facilitate international cooperation efforts in areas within its mandate through its multilateral surveillance and analytical work. In this regard, there is a need for more focus on how the world can act together to address energy security risks stemming from inappropriate climate policies that constrain oil and gas investment. The IMF's policy advice must continue to be guided by macroeconomic considerations that serve the broad interests of the membership. The IMF should remain agile and stand ready to support member countries by providing financial support and concrete policy advice that is tailored to country-specific circumstances.

The Food Shock Window is an important contribution to international efforts to address food insecurity. Nevertheless, many vulnerable countries in debt distress will face difficulty in meeting the safeguards required to access the window. More efforts are needed to ensure that the most vulnerable members receive support in a timely manner. Stronger coordination with relevant international institutions and regional development banks is key to enhancing the global response to the food crisis. On its part, Saudi Arabia have worked with the institutions of the Arab coordination Group to provide USD 10 billion to support countries in the region in their response to the food security challenges.

Climate Policies and Energy Transitions

The recent developments in the energy market have demonstrated the need for a more realistic, balanced, and comprehensive approach to global energy and climate issues. Inappropriate energy policies have had undesirable consequences and disrupted the transitions to net zero emissions as many countries have relaxed climate regulations and commitments to ensure short-term energy security and lower energy prices for consumers and businesses. We remain of the view that all sources of reliable, affordable, and sustainable energy will be needed to meet the current energy demand of the world's most advanced economies and the rising energy demand from growing economies and populations. Adequate investment in all sources of energy, including clean hydrocarbons, will be necessary to ensure this energy supply and to cushion the market against disruptions.

A balanced, gradual, and comprehensive approach to the energy transitions will need to be based on three pillars. These are: energy security; economic development and reliable access to energy; and addressing the climate change challenges that we all agree are becoming increasingly urgent. The IMF's climate strategy needs to ensure energy security for all countries and smooth transitions to a lower emissions economy which is critical for global macroeconomic stability. More realistic assumptions about the pace of the energy transitions and the speed of deployment of new technologies will be other important elements of a successful response to climate issues. A successful response is one that is gradual, balanced, and uses the widest variety of solutions, and technologies while taking into account regional and national circumstances.

The principles of the Paris Agreement must be the benchmark for the IMF's climate policy advice to garner the needed international support. Policy advice should focus on targeting emissions reduction rather than recommending the elimination of certain sources of

energy. Further, in providing advice on climate policies, the IMF must pay due attention to its broader responsibility of promoting the exchange of international goods and services.

Global efforts should be accelerated to capitalize on new technologies that can repurpose GHG emissions and turn them into high-value products, known as Emissions to Value “E2V”. In this context, it is important to advance circular approaches including the Circular Carbon Economy (CCE) framework as a key enabler to reduce and manage emissions while mitigating energy security risks. The IPCC Sixth Assessment Report indicates that all 1.5°C scenarios require deploying carbon dioxide removal technologies. The IMF climate policy discussion should therefore highlight the need for large-scale investments in Carbon Capture, Utilization, and Storage (CCUS) systems and emission removal technologies. Moreover, we still see that adaptation to climate change is equally important and more urgent issue that warrants more attention in the global climate agenda, especially when it comes to supporting developing countries that are vulnerable to the impacts of climate change. In this context, we should also seek out mitigation-adaptation co-benefits and make use of the synergies between mitigation and adaptation to ensure increased resilience and reduced vulnerability.