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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
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I. THE GLOBAL ECONOMY, THE MIDDLE EAST AND NORTH AFRICA (MENA) REGION, AND OUR CONSTITUENCY

The Global Economy

1. **Since our meeting last spring, the global recovery has slowed, faced with multiple challenges and uncertainties.** Tightening financial conditions, the implications of the conflict in Ukraine, and the lingering pandemic, all weigh heavily on the global economic outlook and create difficult tradeoffs for policymakers. The challenges facing the global economy are particularly acute for Emerging Markets and Developing Countries (EMDCs). These countries are faced with the simultaneous challenges of tackling multidecade high inflation, addressing food and energy insecurity, and preserving fiscal and debt sustainability. At the same time, the global tightening in financing conditions is exerting currency pressures and could trigger widespread debt distress, while geopolitical fragmentation could further hinder trade and capital flows. Many EMDCs in our region face the additional challenges of fragility and hosting large refugee flows.

2. Against this sobering background, we stress that **successful multilateral cooperation** is needed to avoid fragmentation that could reverse the gains from thirty years of economic integration. **On the monetary front**, more frontloaded and assertive monetary tightening is needed, with careful attention to spillovers to EMDCs. Adverse consequences for EMDCs include pressure to their financial conditions, complications in their crisis management response, and delays in their economic recoveries. We, therefore, emphasize the need for clear guidance and communication from advanced economy central banks, which are essential to avoid unwarranted market volatility and mitigate spillovers. As for **fiscal policy**, it should prioritize vulnerable groups, although increased attention to middle-income households is warranted. With regards to **structural reforms,** measures to ease supply side bottlenecks are necessary, while strengthening social safety net programs to cushion the shocks from soaring prices on vulnerable households. Moreover, policies with longer-term benefits need to address the priorities of the entire membership. This includes employment, especially youth and women employment, more equal opportunities, as well as economic diversification, which are major challenges facing EMDCs.

The MENA Region and Our Constituency

3. **Despite a challenging global environment, the economic recovery in the MENA region continued in early 2022**. The economies of the region are expected to grow by 5.5% this year, the fastest rate since 2016, although this **growth is uneven** across the region. The region's oil exporting countries are benefitting from high hydrocarbon prices, and the Gulf Cooperation Council countries are expected to grow by about 6.5% in 2022. As for oil importers, they face higher import bills, especially for food and energy, and tightening fiscal space as they spend more on price subsidies to cushion the pain of price rises on their populations. Their economies are expected to grow by 4.5% in 2022. The recovery in the region is, however, accompanied by higher inflation and tighter financing conditions, as reflected in a further increase in headline inflation to an average of 15.6 percent as of July 2022 in most countries in the region. **The Maldives'** economy, driven by a rebound in tourism, recovered sharply to above 10 percent in 2022.

4. Against this background, the highest priority for countries in our constituency has been to mitigate a cost-of-living crisis. In response to high commodity prices, countries need to tighten monetary policy and activate fiscal measures. Many central banks **raised interest rates** in response to rising inflation and exchange rate pressures. Countries with pegs to the USD raised interest rates with or closely following the US Federal Reserve's rate increases. In our Constituency and across the region, **policymakers have also introduced support measures—** especially price controls and subsidies—to make the domestic price of food and energy items lower than the global price for the most vulnerable segments of society. This has contributed to maintaining the level of inflation in MENA below that of other regions.

5. Our oil exporters are witnessing a large increase in their fiscal and external balances in 2022, owing to the rise in hydrocarbon prices. Oil importers in our constituency do not have similar **fiscal space**. They are keenly aware that they will have to reduce other expenditures, mobilize new revenues, or increase deficits and debt to fund the programs mitigating the impact of inflation and any other additional spending. They are also mindful of **debt sustainability vulnerabilities**, especially in light of tightening global financial conditions.

6. As for **fragile and conflict-affected states (FCS)** in our Constituency, they face severe food security challenges as a result of high food and fertilizer prices.

7. All the members of our Constituency are striving to **strengthen resilience and growth prospects** by pressing ahead with structural reforms for inclusive and resilient growth.

8. The Middle East region will be hosting a series of **high-level international events** in the coming year. Qatar will be hosting The World Cup finals in November-December 2022. Egypt will host the COP27 in November 2022 with a focus on adaptation, financing for adaptation, and including compensation for economic losses and damages due to climate catastrophes. Moreover, COP27 will strive to deliver updated commitments that raise the ambition of fighting the

challenges of climate change in a balanced way and will seek to translate the prior commitments into monitorable indicators and actual results. COP27 will also strive to enhance transparency through tracking of reliable data on finance for adaptation. Moreover, United Arab Emirates will host COP28 and will focus on a just climate transition and on promoting clean sources of energy. We encourage the IMF to further strengthen its engagement and partnerships with the region in relation with the forthcoming high-level international events, including supporting the transition from COP27 to COP28.

II. OUR EXPECTATIONS FOR THE IMF

9. We welcome the Managing Director's Global Policy Agenda (GPA). We also appreciate the responsiveness and flexibility of the IMF's Middle East and Central Asia and other departments to our region's needs. In the context of current stress in the macroeconomic circumstances and outlook, we look forward to the IMF's real-time support to members, particularly EMDCs and middle-income countries, through its tailored policy advice, timely and adequate financial support, 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:

10. **Policies in Emerging Markets and Developing Countries (EMDCs). As noted above,** the challenges facing the global economy are particularly acute for EMDCs. We would like the IMF to focus on:

a. **The impact of high food and energy prices**, the main spillover channels for the Middle East and North Africa (MENA), and the increasing need to support a larger portion of the population that exceeds the poorest groups need careful scrutiny. Increasing pressures on the middle class are visible in several of our member countries, where high food and energy prices are the main spillover channels from geopolitical developments. This calls for careful attention to the capacity of this group to continue to withstand increasing borrowing costs as well as high energy and food prices. The IMF could usefully highlight the tradeoffs between raising subsidies and price caps for fuel, and the cost that this would create for the budget.

b. Continued attention to **spillovers from monetary tightening** in advanced countries is needed, notably when it comes to potential capital outflows and risks of debt distress. **Financial spillovers** to emerging markets also warrant attention as reduced business confidence and higher investor uncertainty resulting from the conflict will weigh on asset prices, tightening financial conditions and potentially prompting capital outflows. We encourage the IMF to provide enhanced country-specific advice in the context of surveillance and program engagement. We consider that foreign exchange intervention and capital flow management measures may be warranted in specific circumstances and look forward to the operationalization of the *Integrated Policy Framework*.

c. **Debt vulnerabilities** are increasing in EMDCs due to the impact of the pandemic mitigation and the repercussions of the conflict in Ukraine. The IMF flagship documents refer to a growing concern about debt distress in more than 60 percent of LICs and over 25 percent of EMs. Many FCS are also either in debt distress or at high risk of debt distress. We, therefore, appreciate the IMF's enhanced work on debt and consider that it is essential to have timely, effective, and well-coordinated debt resolution mechanisms. We support improving implementation of the G20 Common Framework and expanding creditor coordination to middle-income countries. We also support continued work to enhance the global debt architecture as well as debt transparency and sustainability

d. The difficult global economic environment calls for a **review of the IMF's surcharges policy**. Against the background of the lingering pandemic and geopolitical developments as well as increasing global interest rates, the surcharges risk more than ever to disproportionately affect EMDCs. These countries require large amounts of IMF financing, especially given their relatively lower quota shares. The surcharges also unduly penalize those countries at a time when they need Fund financing most. We encourage consideration of surcharge relief and a comprehensive review of surcharges.

e. **With regards to refugee flows,** The conflict in Ukraine has brought attention to challenges related to refugee flows. This is an issue that Jordan and Lebanon in our constituency have been faced with since the onset of the Syrian crisis about eleven years ago. We encourage staff to carry out country-specific analyses of the implications of refugee flows, including detailed assessments of the direct and indirect economic costs for hosting communities. This work would be instrumental to the effort to mobilize adequate and timely donor support.

f. **On the structural front**, the IMF's work should be more balanced in supporting structural challenges facing the membership. Job creation, more equal opportunities, and economic diversification are key challenges facing EMDCs, in addition to climate change and digitalization, and they deserve more careful consideration.

11. **IMF lending**. Particular attention to FCS is needed as these countries are particularly vulnerable to rising food and oil prices. We note, however, that many FCS also face debt sustainability constraints. It is, therefore, disappointing that these countries, two of which, Lebanon and Yemen, are in our constituency, are unable to benefit from the recently adopted food shock window. We encourage staff to continue to explore innovative financing solutions that benefit all

member countries. The **Resilience and Sustainability Trust** (RST) is an important and innovative complement to the Fund's lending toolkit, and we look forward to its operationalization. The current crisis is a reminder that, in addition to climate change and pandemic preparedness, the RST should cover the structural challenges that affect EMDCs most. These include Job creation, more equal opportunities, and economic diversification, as mentioned above. Pledges to the RST and PRGT should meet the global ambition to voluntarily channel $100 billion of unused SDRs to developing countries in need of liquidity support.

12. **IMF Work on Climate Change.** As a region hosting COP 27 and 28, climate change is an important matter for us, and must be addressed in tandem with energy security. We believe that the IMF is an important partner in addressing climate challenges. However, its role requires objectivity and evenhandedness and must ensure that it serves the whole membership. The IMF promotes global trade as part of its mandate and should not call for the reduction of the exports of part of its membership. This includes hydrocarbon exports, which are instrumental to achieve the transition to a low-emission economy. This holds particularly true amidst ongoing energy security concerns. Therefore, a broader set of instruments to achieve the transition to a low-emission economy, notably green technologies investments, must be considered by the IMF. Several members of our constituency are innovating in this regard, including by launching green technology investments. In small states, the IMF should support countries in their efforts to access climate financing, which has fallen far short of what is needed to fight climate change.

13. **Digitalization**. Policies in this regard should aim to leverage on the benefits of new digital technologies while mitigating risks. 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, is helpful. We encourage additional work on assessment of CBDC implementation and of crypto currencies' risks to financial stability and integrity. Adequate budgetary resources are needed if the IMF is to support the membership meaningfully in the area of digitalization.

14. **Human Resources and Diversity**. The IMF relies rely on the exceptional dedication and professional strength of our staff to serve our members in this complex and highly uncertain environment. IMF staff are facing increasing pressures, and this could be recognized in the IMF HRD policies. The *2025 Diversity Benchmarks* update as of August 31, 2022 point to continued under-representation of MENA staff at all staffing levels, as well as to below target recruitment levels from the region. We, therefore, call for continued commitment by management to strengthen the recruitment and enhance the career progression and promotion of staff from under-represented regions, notably MENA. Accountability of heads of departments is essential in making meaningful progress on representation.

15. **Adequacy of Fund resources and 16th General Review of Quotas**. 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 16th 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 current environment is bringing more urgency to this call with many member countries likely to need financial assistance from the IMF. The principles underpinning the 2008 quota reform remain valid and should continue to underpin the quota formula review in the context of the 16th 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 16th Review**. It is essential for the 16th 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. We are committed to working towards a timely and successful conclusion of the 16th General Review of Quotas.