International Monetary and Financial Committee

Twenty-Ninth Meeting
April 12, 2014

**Statement by His Excellency Obaid Humaid Al Tayer,
Minister of State for Financial Affairs, United Arab Emirates**

On behalf of Bahrain, Arab Republic of Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syrian Arab Republic, United Arab Emirates, Republic of Yemen

Statement by His Excellency Minister Obaid Humaid Al-Tayer,
Minister of State for Financial Affairs for the United Arab Emirates
On Behalf of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syria, United Arab Emirates, and Yemen
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The Global Economy and Members' Policies

1. We are encouraged by the signs of a growing momentum in the global recovery. Although the recovery remains uneven in advanced economies (AE), the more favorable business confidence is reassuring. Growth in emerging market economies (EMEs) and low-income countries (LICs) is projected to remain moderate, with a further slowdown in growth expected in China. Nonetheless, the global outlook is subject to significant downside risks. These include the possibility of protracted low growth in AE, which could be exacerbated by geopolitical tensions and by exceedingly low inflation. EMEs also face tighter external financing condition as well as potential risks of spillovers from lower growth in AE. Accordingly, caution is needed to avoid a premature withdrawal of accommodative monetary policies. Regarding fiscal policy, it is encouraging that consolidation in AEs has helped stabilize gross debt ratios. Further consolidation efforts in Europe, however, will need to support long-term growth. Structural reforms in the labor, product and financial markets are therefore recommended.

The Fund's Role and Work Priorities

2. We broadly support the priorities set out in the Managing Director's Global Policy Agenda and underscore the importance of adequate resources for its implementation. In particular, the Fund should build on its recent work on the role of monetary policy in AEs, continue to closely monitor global liquidity conditions, and warn against the potential adverse implications of exceedingly low inflation. We support the Fund's 'Jobs and Growth' agenda, including work on fiscal policy and inequality. With regard to the forthcoming 2014 Triennial Surveillance Review, we look forward to an examination of the quality of Article IV and the Fund's multilateral surveillances, including the spillover and cluster reports. We are encouraged by the intention to address persistent concerns about evenhandedness and traction, which are recurring themes in reports of the Independent Evaluation Office. We remain concerned about the potential for disruptive capital flows and exchange rate volatility in EMEs. The Fund should continue its analysis of the implications of the normalizing of monetary policies in AE and the lessons from members' policy responses. For LICs, we look forward to the planned work on financial sector surveillance, the review of debt limits and financial deepening.

Developments in the Middle East Region and the Fund's Role

3. The Middle East region experienced modest growth in 2013 which is expected to pick up in 2014 and 2015. While some **oil exporters** were subject to declines in oil production, the effect on growth was somewhat offset by public spending. Most economies have substantial buffers to withstand lower oil prices, should these materialize in the future. The GCC countries have actively pursued policies to diversify their economies, including through high quality spending and labor market reforms. For many **oil importers**, economic activity remained subdued despite supportive fiscal and monetary policies, while uncertainties arising from political transitions and its economic implications affected some countries.

4. Policy makers in the region are cognizant of the structural reforms that would boost competiveness and encourage investments. Addressing high unemployment, large fiscal deficits, and low competitiveness will contribute to brighter economic prospects for many countries in the region. In this regard, macroeconomic policies need to balance the goals of bolstering growth while ensuring social stability. We appreciate the analytical work and capacity building activities carried out by the Fund on priority reform areas, such as subsidy reform, energy pricing, and labor markets. We also welcome the recent Fund paper on the role of macroprudential policies in GCC countries. More analysis of growth-supportive fiscal consolidation would be welcome.

5. **Arab countries in transition** (ACTs) confront rising public aspirations for improved economic and social conditions following regime changes. In some ACTs, there is limited fiscal space to improve infrastructure, heath and education, and to provide an adequate social safety net. Nevertheless, despite the exceptionally difficult socio-political environment, a number of ACTs have embarked on fiscal consolidation in view of the high debt and limited financing options. We believe that the Fund could have a more effective role in supporting ACTs. There are currently three Fund-supported programs with ACTs, of which the largest one is a precautionary arrangement. We appreciate the support provided so far. We also appreciate the technical assistance provided to date and see scope for additional capacity building. It is important that the Fund take account of the political economy and social constraints in its policy advice and conditionality for these countries. Policy advice should be well-supported by economic analysis that takes account of specific country circumstances. The Fund could also play a bigger role in efforts to mobilize external financing. In its public communications, the Fund must be particularly mindful of the domestic context and social considerations. Press statements and outreach activities should be closely coordinated with the authorities at an early stage.

Quota and Governance Reforms

6. In spite of extensive efforts by the Managing Director and the Chairman of the IMFC, the 2010 quota and governance reforms could not be ratified as expected. We join others in calling for consideration of options for advancing these reforms, which are essential for the continued legitimacy and financial strength of the Fund. In this connection, care is needed to

avoid an outcome that would increase the quota shares of dynamic EMDCs at the expense of other EMDCs. The next Quota Review will entail another discussion of the quota formula. We remain opposed to an increase in the weight of *GDP* in the formula as this would further erode the representation of the majority of EMDCs and the smallest LICs. We support retaining *openness* and *variability*, however their measurement should be improved. We also support retaining *reserves* in the quota formula.