



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Fifth Meeting April 21, 2022

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

Statement to The International Monetary and Financial Committee
By Mohammed Aljadaan
Minister of Finance, Saudi Arabia
April 21, 2022

The Global Economic Context

The global economy is facing significant challenges and risks emanating from the pandemic and the geopolitical events. The resulting inflationary pressures and supply side disruptions are complicating the delicate balance that policy makers are seeking to achieve between securing the economic recovery and maintaining price stability. Inflationary pressures have been more persistent than previously anticipated while the global economic growth momentum is set to slow with significant downside risks to the outlook. Moreover, tighter global financial conditions and rising cost of food and energy are posing significant challenges to the fiscal situation in Low Income and Developing Countries and complicating the difficult trade-off the authorities are facing between preserving fiscal sustainability and supporting the most vulnerable. Furthermore, pandemic scarring and disruptions from the geopolitical events are expected to have a lingering effect on medium-term growth prospects.

We note with concern the dire humanitarian crisis in Ukraine, and support international efforts to restore peace and stability and alleviate the suffering of the affected Ukrainians. We are also concerned about the rising risk to food security in poorer countries which may cause people to flee their homes leading to a sharp surge in the number of refugees and displaced persons. In response, Saudi Arabia has extended visas of Ukrainian citizens residing in Saudi for free and provided \$10 million aid to Ukrainian refugees, in coordination with the Polish government and United Nation Organization. Since the last Fall Meetings in October 2021, Saudi Arabia has contributed more than \$ 9 billion, equivalent to 68% of our share of the recent SDR allocation, to countries most in need. Furthermore, KSA pledges to contribute additional SDR 550 million to PRGT loan resources to take the KSA's total PRGT support to about SDR 1.18bn. These efforts come in line with the Saudi leadership's drive for humanitarian causes as the Kingdom ranked third among the world's top donors in global humanitarian assistance, according to the 2021 UNFITS. Saudi Arabia has been a key partner for other countries in fighting the ongoing pandemic, supporting recovery, and helping achieve Sustainable Development Goals (SDG).

Therefore, we emphasize that international cooperation is critical to safely navigate these challenging times. The magnitude and nature of the challenges facing global economic and financial stability call for a coordinated international response on multiple fronts. On fighting the pandemic, I note that the world will not be safe unless everyone is safe in every part of the world, which requires a concerted multilateral effort to ensure equitable and affordable access to safe and effective COVID-19 vaccines, diagnostics, and therapeutics for all. Other important areas for

international cooperation I would like to emphasize are; 1) ensuring a timely access to an emergency liquidity backstop to cushion the impact of economic spillovers from the implications of the geopolitical events and the monetary policy tightening cycle on global liquidity conditions and 2) facilitating the implementation of the G20 Common Framework to ensure an orderly debt restructuring process to bring meaningful debt relief to countries most in need. Furthermore, the fast adoption of crypto assets calls for greater global coordination to enhance legal and regulatory frameworks to address the associated risks to global financial stability.

I see an important role for the IMF and WB in fostering multilateral efforts and supporting the membership at this critical juncture. The Fund has the capacity to guide and facilitate international cooperation efforts in areas within its mandate through its multilateral surveillance and analytical work. Also, the Fund should stand ready to support member countries in the current juncture by providing financial support and concrete policy advice that is tailored to country's circumstances. Moreover, enhancing the effectiveness of capacity development and technical assistance by the Fund would be critical going forward to facilitate the implementation of reforms to enhance economic resilience in member countries and facilitate the structural transformation toward stronger and more inclusive growth.

Saudi Arabia: Stronger Economic and Fiscal Prospects

The Kingdom of Saudi Arabia is recovering from the COVID-19 crisis as economic and social activities are steadily returning to its pre-pandemic levels. Precautionary health measures have been eased since October 2021 following the rapid rise in immunization rates with more than two thirds of the population are fully vaccinated. Moreover, support measures have been gradually unwound while credit growth remains robust and high frequency data indicate a rebound in domestic demand with improved investment prospects and decline in unemployment rate. These positive developments are reflected in the upward revision to the Kingdom's 2022 growth projection in the World Economic Outlook report (WEO) by 2.8 percentage points underpinned not only by increased oil production but also by stronger growth in the non-oil sectors. The private sector's growth is expected to accelerate and lead the economic growth in the medium term. To this end, the Kingdom continues its efforts to enhance the economy's openness and competitiveness by launching the National Investment Strategy, in October 2021, that aims to transform the country into an investment powerhouse and global hub for businesses by addressing funding issues, improving the business environment, and expanding investment opportunities.

The Kingdom continues to make significant progress on protecting the environment which is an integral element of its plan to ensure quality of life and economic prosperity for its people. These efforts include the commitment to reach "net-zero emissions" by 2060, through the framework of the Circular Carbon Economy (CCE) to reduce GHG emissions as well as the Saudi Green Initiative to increase vegetation cover and planting 10 billion trees, combating pollution and

preserve marine life. Furthermore, the Kingdom is playing a leading role in coordinating regional efforts to combat climate change through the Middle East Green Initiative.

The Kingdom remains committed to the medium-term fiscal framework and the prudent use of oil revenue windfalls to ensure macroeconomic stability and long-term fiscal sustainability. Fiscal policy continues to be more countercyclical including through linking expenditure ceiling to structural revenues to safeguard macroeconomic stability against oil price volatility. Windfalls from higher oil prices will be allocated to strengthen the fiscal position while accelerating the structural reform efforts to diversify the economy to further increase resilience against global shocks and crises. The budget is estimated to post a surplus in 2022, a year earlier than previously projected on the back of receding effects of the pandemic, improved fiscal discipline, and higher oil and non-oil revenues.

The Saudi Central Bank (SAMA) continues to operate with the objective of maintaining monetary and financial stability. In tandem with the evolving domestic and international monetary conditions, SAMA has raised its repo and reverse repo rates by 25 basis points to maintain monetary and financial stability. SAMA has also continued to enhance financial sector soundness by ensuring a robust regulatory environment and strong adherence to the requirements by Saudi financial institutions.

Energy Security and Transitions

A stable energy market is essential to ensure smooth and just transitions toward a low greenhouse gas emission economy. In 2021, higher energy prices post the pandemic were in part a reflection of the revival of demand, following the global economic recovery. However, climate policies that constrain oil and gas investments risk the future availability of supply that will be needed to meet healthy demand growth in a timely and adequate manner. Such constraints increase the vulnerability of the energy markets to shocks, and in turn surges in price, and as a result undermine the global clean efforts. The shortages of natural gas, since the past year, especially in Europe, is a clear example of the undesirable consequences of such policies. The stable investment in all sources of energy, including oil and gas, is therefore necessary to cushion the market against disruptions, in order to foster global economic activity and support the post-pandemic recovery. These recent events reaffirm that it is imperative to pursue balanced and comprehensive approaches that take into consideration the three important pillars: energy security, economic development and reliable access to energy, as well as addressing the climate change challenges that we all agree are becoming increasingly urgent.

We stress the importance of designing climate policies based on more realistic assumptions about energy transitions. We remain of the view that all sources of reliable, affordable, and sustainable energy will be needed to meet the rising energy demand stemming from the growing

economies and population. Further, the geopolitical developments have exemplified the risks stemming from rapid price increases in critical minerals, which are required for renewable energy technologies. Accordingly, we welcome the reference to the energy security risks in the WEO and emphasize the importance of ensuring a balanced energy mix that recognizes all energy sources with the technological solutions to reduce and manage emissions. In this context, we encourage the IMF to integrate the risk to energy security into its climate change strategy and provide more balanced recommendations to ensure energy security for all countries and smooth transitions to a lower emission economy which is critical for global macroeconomic stability going forward.

The ongoing and emerging global challenges make it imperative to strengthen global collaboration based on multilateral consensus to reduce GHG emissions to meet the Paris Agreement goals. To this end, global efforts should be accelerated to capitalize on new technologies that can repurpose GHG emissions and turn them into high-value products. 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. In particular, the latest IPCC climate change science report indicates all of the 1.5°C scenarios require deploying carbon dioxide removal technologies. Hence, large-scale investments are needed in Carbon Capture, Use 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 poor countries that are vulnerable to the impacts of climate change.