



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

By Mohammed Aljadaan

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The Global Economy and Policy Priorities

The Spring Meetings provide a timely opportunity to reinforce confidence in the global financial system following the recent banking turmoil in some economies. These financial developments come at a time when the global economy continues to face increasing uncertainty stemming from the adjustment to a series of massive shocks since 2020. While the recent global financial market turbulence has been contained, continued vigilance remains essential to safeguard the global economy against the elevated financial stability risks in light of tighter monetary and financial conditions. This raises the need to reinforce the commitment to continue the implementation of internationally agreed upon regulatory and supervisory reforms. The IMF can play a unique role using its comparative advantage to facilitate a coordinated policy response to mitigate spillover risks from volatile cross-border financial flows while anchoring macroeconomic and financial stability.

We are mindful that the global economic recovery is still facing significant headwinds from lingering trade disruptions, growing economic fragmentation risks, and tightening financial conditions. At this juncture, policymakers will have to carefully manage competing objectives to ensure price and financial stability. The heterogenous impact of the external shocks across countries and regions may entail different domestic policy responses, which can have spillover effects and further complicate the global macroeconomic landscape. The main macroeconomic priority remains the containment of inflation while also forestalling emerging financial stability risks. Fiscal prudence and agility are vital to promoting sustainable and inclusive growth without undermining price stability or debt sustainability. The structural agenda should also prioritize supply-side reforms in the labor and product markets to help further ease price pressures while unlocking potential growth.

Stronger multilateral cooperation is warranted to avert fragmentation and effectively address the risks and trade-offs facing policymakers, given the nature and magnitude of these risks. Moreover, strengthening the multilateral trading system in coordination with the WTO to

ensure an open, fair, and mutually beneficial international trading system will be particularly important to reduce the risks to the growth outlook and to strengthen resilience of the global economy. Ensuring more effective multilateral cooperation to enhance the resilience of the global economy against emerging global challenges, including climate change, can be achieved by directing more efforts towards building consensus around policies to address global challenges through more inclusive discussions from the wider membership. In particular, the IMF approach to climate change should adopt a flexible bottom-up approach that allows governments to determine their own domestic targets and mitigation paths.

The Saudi Economy

The solid reform progress since the inception of Vision 2030 has created the fiscal space and the capacity for the Saudi government to press ahead with the implementation of more comprehensive structural reforms at an even more advanced pace despite the challenging global environment. The ambitious reforms continue to focus on: unlocking potential growth that is sustainable and more inclusive; enabling the private sector to thrive and create more jobs; improving the quality of the public goods and services; and strengthening the fiscal and external positions. The positive economic performance on the back of the structural reforms have indeed yielded positive economic and social returns. Here, we welcome Saudi Arabia's improved credit ratings, which recognize the government's impressive track record of fiscal policy effectiveness and the comprehensive regulatory and economic reforms that will support the sustainability of economic diversification.

In fact, the Saudi economy's performance has exceeded expectations, growing at 8.7 percent in 2022, making it the fastest growing economy among the G20 countries, and bringing the overall unemployment rate down from 6.9 percent in 2021 Q4 to 4.8 percent in 2022 Q4, and among Saudi nationals from 11 percent to 8 percent, respectively. Among Saudi females, the unemployment rate decreased by 7.1 percentage points from 22.5 percent in 2021 Q4 to 15.4 percent in 2022 Q4. This is despite the massive increase in the women's participation in the labor force from 17 percent in 2017, the baseline under vision 2030, to 36 percent in 2022, overshooting the official target of 31.4 percent in 2025 by 4.6 percentage points. Here, it is worth noting that the Saudi employment has sharply increased while the wage bill remains contained. Furthermore, the robust growth that is accompanied by a strong labor market and contained inflation reflects a stronger non-oil sector.

The Saudi banking system remains strong, liquid, and well-regulated. We are closely monitoring the developments in the global financial system, and have the tools and the resolve to safeguard the stability of our financial system.

A great deal of progress is underway in the Giga projects and the announced initiatives under the Vision2030 programs. Meanwhile, we remain committed to achieving our net-zero target by 2060 by deploying all available technologies within the Circular Carbon Economy framework as well as the Saudi Green Initiative to increase vegetation cover and planting 10 billion trees, combating pollution and preserving marine life. Furthermore, Saudi Arabia is playing a leading role in coordinating regional efforts to combat climate change through the Middle East Green Initiative.

Tackling the Sovereign Debt Vulnerabilities

Many emerging markets and developing economies (EMDEs) are still facing growing concerns about debt vulnerabilities. In the MENA region, some middle-income countries with limited fiscal space to absorb shocks have been under pressure of high debt levels in light of tightening monetary and global financial conditions. The IMF's timely financial support, underpinned by tailored policy advice and technical assistance, will be vital to overcome the compounding challenges. Saudi Arabia has continued its bilateral engagement with countries in the region and beyond to provide substantial financial support to help anchor macroeconomic and financial stability during these turbulent times. Meanwhile, Saudi Arabia has also continued to work in coordination with the IMF to help revive several IMF-supported programs. **Here, I am pleased to announce that Saudi Arabia will provide a loan in the amount of SDR 2.025 billion to the loan resource account at the Poverty Reduction and Growth Trust, which should cover 57 percent of the funding gap in the loan account.** The Saudi financial contributions to vulnerable members, since the recent SDR allocation, has amounted to around US\$28 billion, equivalent to about 217 percent of our share of the recent SDR allocation.

That said, rising debt levels have restricted vulnerable countries' access to much-needed financing, including the IMF's resources, which brings into sharp focus the need to address debt vulnerabilities in a timely manner before it morphs into a full-fledged sovereign debt crisis. In this regard, we look forward to further advancing collective efforts to strengthen the global architecture for debt restructuring by building on the important progress made under the Common Framework (CF) and addressing the challenges to further accelerate its

implementation. To this end, we expect that the newly created Global Sovereign Debt Roundtable will help identify key impediments to debt restructuring and support the ongoing efforts to institutionalize the CF, while ensuring the focus remains on the CF as a platform for debt treatments.

The IMF's Policy Agenda

We welcome the focus on macro-financial stability in surveillance activities following the recent financial turbulence. The IMF has a critical role to play in coordination with other relevant partners to provide clear guidance and recommendations on the appropriate policy response as well as to allow early identification of pressure points in the financial system including in the areas of crypto assets and NBFIs that are in need of remedial actions.

We also welcome the agenda to address debt sustainability concerns with reference to vulnerable Middle-Income Countries (MICs). This should, in turn, help facilitate timely access of vulnerable member countries to IMF resources to meet urgent financing needs. Here, we emphasise the importance of the catalytic role of IMF lending to unlock further financing and stimulate private capital flows. In this regard, we support prioritizing the Fund's debt agenda to continue working with its partners to support members' debt restructuring efforts and strengthen the global debt architecture, including through accelerating the implementation of the CF.

The IMF agenda on climate change should be guided by its mandate and in line with the Paris Agreement. While the analytical work on energy security and climate mitigation is welcome, the motives of the analysis should be reviewed to align recommended climate policies with the Paris Agreement. Recommendations on energy security should be carefully designed to be commensurate with the reality of the energy market and the economic conditions. Policy advice should therefore focus on targeting emissions reduction rather than recommending the phasing out of conventional sources of energy. We stress that the latter will not reinforce energy security, but rather undermine the stability of energy markets. Here, when conducting analytical work, staff must pay due attention to the broader responsibility of the IMF in promoting the exchange of international goods and services. Moreover, we stress the importance of addressing equity concerns when referring to "large emitters" by considering historical contributions to the stock of GHG emissions.

We remain of the view that the IMF resources are adequate and that the current envelope has proven resilient even during the recent shocks with significant unutilized resources, and borrowed resources (including BBA) remain a more efficient means to cover tail risks in the future. We welcome the growing consensus thus far toward keeping the current quota formula unchanged in the spirit of pragmatism to conclude the 16th Quota Review (GRQ) by end-2023.

We see scope for further emphasis of management's commitment to the longstanding issue of underrepresentation in the IMF. In particular, the MENA region has been one of the most underrepresented regions since the 2000 Annual Diversity Report. We therefore stress the importance of stepping up efforts to take concrete and timely actions to improve staff diversity and inclusion, responding to the specific challenges identified in the FY 2020 - FY 2021 Diversity and Inclusion Report.