INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Ninth Meeting
April 18–19, 2024

Statement No. 49-10

Statement by Mr. Al Hussaini
United Arab Emirates

On behalf of
Kingdom of Bahrain, Arab Republic of Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, Somalia, 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, Somalia, United Arab Emirates, and Yemen
International Monetary and Financial Committee

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

1. At the outset, we express our great concern about the profound humanitarian crisis and interrupted access to basic services in Gaza, as well as the severe deterioration in the economic and social situation. A recent joint World Bank - UN report, which was carried out with financial support by the EU, estimates the damage in Gaza's critical infrastructure at US$18.5 billion; this is equivalent to 97% of the combined GDP of the West Bank and Gaza in 2022. The conflict in Gaza has had significant implications for the lives and future of Palestinians as well as for the peace and security of the entire region. In addition to the severe humanitarian and economic crisis in Gaza, the conflict is having negative economic impact particularly on neighboring countries such as Egypt, Jordan, and Lebanon. We call on the international community to use all its influence to prevent further escalation and end this crisis. The civilian population must be spared from greater harm, and we need to ensure that humanitarian assistance can be delivered in a safe and timely manner, without any hindrance and by using all available routes, land, see, and air. Countries in our constituency continue to exert every effort to de-escalate and create conditions for the return of stability and the achievement of lasting and sustainable peace, which will positively contribute to global stability and prosperity.

The Global Economy

2. **While the global economy may be approaching a soft landing amidst the global disinflation of 2022-23, the recovery remains uneven**. We are concerned about vulnerable emerging market and developing economies (EMDEs), including fragile and conflict-affected states, as they disproportionately bear the burden of ongoing geopolitical developments and tighter global financial conditions.

3. **Against this background, the near-term priority for central banks is to ensure that inflation comes down smoothly.** Several EMDEs where a tight monetary stance is needed to tame inflation, face difficult tradeoffs given the ongoing geopolitical developments and tighter global financing conditions. These include the impact of tighter monetary policy on public debt—especially where debt levels are elevated, financing needs high, and fiscal space is limited—as well as potential financial sector stresses that could lead to macro-financial instability.

4. **Gradual and sustained fiscal consolidation is needed to reduce deficits and curb high public debt, also mindful of continued policy tradeoffs in several EMDEs**. Several EMDEs face tradeoffs between protecting the vulnerable to prevent a large rise in poverty and income inequality, preventing rising debt levels, and meeting development and transformational needs. A renewed focus on implementing medium-term fiscal consolidation is warranted to rebuild buffers and create space for priority investment and social spending. Protecting vulnerable households is also needed as it is critical for maintaining social cohesion. High inequality remains a concern as it can fuel social discontent. Policy advice could usefully focus on protecting the vulnerable from the cost-of-living crisis with targeted and temporary measures. These include increasingly middle-income households, which have traditionally been representative of countries' overall economic health.

5. **In light of the lackluster medium-term growth prospect, particularly in EMDEs, structural policies are needed to boost supply capacity**. Medium term growth is expected to be low by historical standards, reflecting still-high borrowing costs, a withdrawal of fiscal support, weak productivity growth, and continued geopolitical tensions. The subdued prospects for global growth imply a slower convergence toward higher living standards for many emerging market and developing economies. Against this background, intensifying supply enhancing reforms would facilitate both inflation and debt reduction, boost growth towards the higher pre-pandemic level, and accelerate convergence toward higher income levels. Employment, especially youth and women employment, gender and income equality, as well as economic diversification, are major challenges facing the MENA region and EMDEs more broadly.

6. **Given the continuously uncertain environment, multilateral cooperation remains key to progress on essential issues of common interest**. These include, in particular, limiting the costs and risks of geoeconomic fragmentation, promoting food and energy security, supporting economies needing debt reduction, and providing financing for climate adaptation, while advancing credible, robust and just transition plans.

The MENA Region and Our Constituency Members

7. **Growth is expected to decelerate in the MENA region compared to our last meeting in October 2023**. Geopolitical developments, notably the conflict in Gaza and related disruptions in the Red Sea, tighter global financial conditions, tight policy settings in several MENA emerging market and middle-income economies, as well as oil production cuts; all are factors weighing on growth in the region. On the bright side, non-oil growth remains robust in most oil exporters, owing to continued structural reforms and economic diversification efforts.

8. **Restoring price stability remains a high priority for our policymakers.** Monetary policy generally remained tight across the region, with central banks in MENA continuing to increase rates in 2024 and committing to follow a data-dependent approach if inflation persists. Countries with pegs to the USD raised interest rates broadly with or following the US Federal

Reserve's rate increases. As a result, inflation has declined on average, although it remains high in some countries. At the same time, MENA countries strived to preserve central bank independence and avoided monetary financing so that monetary policy can be a more effective tool to stabilize inflation. Several countries in the MENA region where a tight monetary stance is needed to tame inflation face difficult tradeoffs given the ongoing geopolitical developments and tighter global financing conditions. These include the impact of tighter monetary policy on public debt, especially where debt levels are elevated, gross financing needs are high, and fiscal space is limited, as well as potential financial sector stresses that could lead to macro-financial instability. Policymakers are, therefore, closely monitoring financial system vulnerabilities that could arise from continued monetary tightening.

9. Fiscal policy in the region continues to strive to preserve debt sustainability, build buffers, and support monetary tightening. Variation in fiscal balances remain wide in 2024 between oil exporters and importers in our constituency. Oil importers in our constituency have limited fiscal space. Moreover, in some of our middle-income oil importing countries, considerable fiscal consolidation efforts are expected to be partly offset by higher interest expenses. Despite large cumulative primary balance improvements, the increased interest burden would overwhelm the fiscal effort. In several MENA emerging market and middle-income economies, the contribution of interest rate to changes in gross public debt to GDP ratios is indeed expected to be large going forward at a time when gross debt is expected to decline in 2025, and primary balances expected to improve in both 2025 and 2026. This is a pressing dilemma for many Ministers of Finance, especially that they are faced with rising social pressures amidst high and persisting inflation, as well as continued development needs. A key vulnerability for the **low-income countries (LICs) and fragile and conflict-affected states (FCS)** in our region is their persistent lack of fiscal space to protect their vulnerable populations and the challenges associated with food insecurity and rising oil prices. Many FCS also face debt sustainability constraints. In these countries, any new shocks could stoke social tensions and weigh further on growth.

10. **Our Constituency members are striving to strengthen resilience and growth prospects by pressing ahead with structural reforms for inclusive and resilient growth**. They are fully aware of the need to accelerate reforms to create job opportunities for female workers and the youth as unemployment in some countries remains higher than its pre-pandemic 2019 level. As part of their efforts to achieve the Sustainable Development Goals (SDGs) and their commitment to addressing global challenges, several members of our constituency are accelerating investments in renewable energy, promoting sustainable finance, and supporting climate resilience in vulnerable nations. Our region is also keenly aware of the importance of regional integration and cooperation. This includes promoting trade and investment and harmonizing regulatory frameworks.

11. **The government of the United Arab Emirates hosted the United Nations Climate Change Conference COP28 which took place in Dubai from November 30 to December 13, 2023**. This event brought together over 100,000 attendees in the blue zone over 500,000 attendees

in the green zone. Participants included 156 heads of state, representatives of civil society, business, Indigenous Peoples, youth, philanthropy, and international organizations. By all accounts, this meeting significantly advanced the global climate agenda. COP28 delivered the UAE Consensus, an ambitious response by 198 Parties, to the first 'global stock take' of the world's efforts to address climate change under the Convention and Paris Agreement. The response included unprecedented language on "transitioning away from fossil fuels in energy systems, in a just, orderly, and equitable manner". The text also included global targets for tripling renewable energy, halting deforestation, and doubling energy efficiency by 2030. The text also recognized the need for global emissions to peak by 2025, taking into account different national starting points; it also encouraged countries to submit economy-wide Nationally Determined Contributions (NDCs). Eight years after from the Paris Agreement, efforts remain insufficient to stabilize temperatures and avoid the worst effects of climate change. Limiting global warming to 1.5–2 degrees Celsius and reaching net zero by 2050 requires cutting carbon dioxide and other greenhouse gases by 25–50 percent of 2019 levels by 2030. As new IMF analysis shows, global ambition needs to be more than quadrupled to achieve these goals.

12. In line with the mandate to develop an impactful Global Goal for Adaptation promised as part of the Paris Agreement, COP28 delivered the Emirates Framework for Global Climate Resilience. It defines how to do this through targets for a universal set of themes essential for sustainable development and human wellbeing and targets on how to approach adaptation at local to national levels.

13. COP28 made history through adoption of the Loss and Damage fund, which was promised at COP27, on the very first day of the conference. 19 countries made commitments totaling $792 million towards the fund and funding arrangements related to loss and damage, including $100 million from the UAE. Climate finance took center stage at the conference, with the Green Climate Fund receiving a boost to its second replenishment. Six countries pledged new funding at COP28 contributing to achieving its largest replenishment yet, at a record USD 12.8 billion from 31 countries, over the next four years. This will be crucial in supporting developing countries tackle the impacts of climate change and protect the most vulnerable communities. Eight donor governments announced new commitments to the Least Developed Countries Fund and Special Climate Change Fund totaling more than USD 174 million to date, while new pledges, totaling nearly USD 188 million so far, were made to the Adaptation Fund at COP28.

14. **Over the past year, our constituency members' engagement with the IMF can be summarized as follows**:

a. **Bahrain**: On July 5, 2023, the Executive Board of the International Monetary Fund concluded the 2023 Article IV consultation with the Kingdom of Bahrain. The Article IV consultation for Bahrain focused on its strong post-Covid 19 growth and fiscal performance while also highlighting the risks to the outlook. Continued reform momentum as outlined in the Fiscal Balance Program and Economic

Recovery Plan will help reduce fiscal deficit and public debt while advancing economic diversification**.**

b. **Egypt**: On March 29, 2024, the IMF Executive Board completed the First and Second Reviews of the extended arrangement under the Extended Fund Facility for Egypt and approved an augmentation of the original program by about US$5 billion (SDR 3.76 billion). The Board indicated that a strong economic stabilization plan was being implemented to correct policy slippages. The plan is centered on a liberalized foreign exchange system in the context of a flexible exchange rate regime, a significant tightening of the policy mix, reducing public investment, and leveling the playing field to allow the private sector to become the engine of growth.

c. Iraq: The 2024 Article IV consultations with Iraqi highlighted strong non-oil sector growth and improved inflation dynamics, driven by careful monetary policies and a decline in international food prices. With a current account surplus and increased international reserves to USD 112 billion. Iraq introduced a three-year budget in 2023 to enhance fiscal planning and development project protection. Efforts to boost non-oil revenues and optimize government spending are underway, alongside structural reforms focusing on economic diversification, private sector growth, and improvements in the banking and electricity sectors. These measures underscore Iraq's commitment to fiscal sustainability and diversified and inclusive growth.

d. **Jordan**: Building on Jordan's consistently strong performance under the previous program, the IMF Executive Board approved on January 10, 2024 a new four-year EFF arrangement with Jordan in the amount of about USD 1.2 billion to support the authorities' economic program. A gradual fiscal consolidation to place public debt on a steady downward path while protecting social and capital spending and improving the financial viability and efficiency of the electricity sector will continue. At the same time, appropriate monetary policies will safeguard the exchange rate peg. The authorities' efforts will continue to focus on accelerating structural reforms to achieve stronger growth and job creation. Continued support from the international community is needed to help Jordan shoulder the burden of hosting large numbers of Syrian refugees.

e. **Kuwait**: The 2023 Article IV consultation with Kuwait indicated that, benefiting from high oil prices, Kuwait's economic recovery continues, and the fiscal and external balances have strengthened. Inflation is contained and external buffers are increasing. The dominance of oil in Kuwait's economy coupled with global decarbonization trends underscore the urgency for economic diversification and structural transformation, as well as fiscal reforms to reinforce sustainability. Given Kuwait's large fiscal and external buffers, it can undertake needed reforms from a position of strength. The banking system is stable and systemic risk is contained, supported by a strong prudential framework, which should continue to be enhanced.

f. **Lebanon**: Lebanon hosts the largest number of refugees, notably from Syria and Palestine, relative to the size of its population. This has contributed to a fragile socioeconomic situation in a country with a weak institutional framework, which culminated in a full- blown economic crisis since 2019. An IMF mission that visited Lebanon in September 2023 indicated that lack of action on urgently needed reforms weighed heavily on the economy. Despite the relative improvements in the private sector, Lebanon continues to face enormous economic challenges, with a feeble banking sector, eroding public services, deteriorating infrastructure, worsening poverty and unemployment conditions, and widening inequality. A permanent solution requires comprehensive policy decisions from Parliament and the Government to contain the external and fiscal deficits and start the restructuring of the banking system and major state-owned enterprises. More recently, Lebanon's difficult situation has been exacerbated by the ongoing conflict in Gaza. Support from the international community is essential to help Lebanon shoulder the burden of hosting the refugee flows.

g. **Maldives**: Supported by the strong performance of the tourism sector, Maldives' economy has recovered strongly from the COVID-19 pandemic, with economic growth normalizing in 2023, with estimated growth of 4 percent. Growth is projected to accelerate to 5.2 percent in 2024 with the anticipated increase in tourist arrivals. While inflation accelerated in 2022 due to global commodity price shock, it has since come down after peaking in the first quarter of 2023. IMF Staff concluded the 2024 Article IV Consultation mission to the Maldives in February 2024. They noted that the strong economic recovery and a favorable outlook provides an opportunity for the Maldives to implement prudent and well-coordinated fiscal and monetary policy measures to safeguard macroeconomic stability, restore debt sustainability, and sustain the current exchange rate peg, while supporting sustainable growth. The new administration of Maldives that took office in November 2023 has pledged to undertake an ambitious homegrown fiscal adjustment program to improve debt sustainability and enhance macroeconomic stability.

h. **Oman**: The 2023 Article IV consultation, recognized Oman's the economic recovery and sustained reform efforts, noting a 4.3% growth in 2022, bolstered by hydrocarbon activities and diversification efforts leading to a non-hydrocarbon growth increase in 2023. Enhanced agricultural, construction, and service sectors contributed to this performance. Oman's fiscal and external balances turned surplus, with the debt-to-GDP ratio reducing significantly from 68% in 2020 to 36% in 2023, underlining effective fiscal management and reduced hydrocarbon dependency. The Executive Directors commended Oman's prudent macroeconomic management and emphasized the importance of continuing reform implementations to ensure fiscal sustainability and economic diversification, highlighting the role of the new social protection law and the ongoing tax administrative reform program to enhance fiscal sustainability. Directors welcomed progress under Oman Vision 2040, which is aimed at fostering a diversified, inclusive, and private sector-led economic growth. Oman made a contribution of SDR 39 million to the RST, which became effective on April 2023. Oman also pledged on October 2023 a contribution to the PRGT subsidy resources of SDR 18 million from net investment earnings to be generated by a long-term investment with the PRGT.

i. **Qatar**: On January 11, 2024, the Executive Board of the International Monetary Fund concluded the Article IV consultation with Qatar on a lapse-of-time basis. The Article IV consultation emphasized the importance of continued reforms, guided by the 3rd National Development Strategy to help achieve the ambitions of Qatar National Vision 2030, including boosting productivity and promoting economic diversification. The country is well placed to leverage the high-quality infrastructure created for the World Cup and to capitalize on the momentum and visibility it created. Additionally, in October 2023, during the Annual Meetings in Marrakech, Qatar signed agreements to contribute SDR 150 million to the PRGT and SDR 50 million to the RST.

j. **Somalia**: Somalia remains a fragile country and faces many challenges. Security challenges, lingering effects of the prolonged drought, and widespread floods caused by heavy rains continue to affect the economy and create humanitarian concerns. On December 13, 2023, Somalia became the 37th country to benefit from the Heavily Indebted Poor Countries (HIPC) Initiative Completion Point (CP) following the approval of the Executive Boards of the International Monetary Fund and the World Bank's International Development Associations. The IMF Executive Board also approved the completion of the Extended Credit Facility, which was a precondition for reaching the HIPC CP. This program guided a far-reaching economic and institutional reforms. Furthermore, to sustain reform momentum, the Somali authorities requested, and the Executive Board approved, on December 19, 2023, a successor Extended Credit Facility (ECF) arrangement to guide the next stage of economic and institutional reforms. This new program will support Somalia's post-HIPC reform strategy to sustain and build ongoing reforms aimed at strengthening economic institutions and promoting macroeconomic stability and inclusive growth. The new program will boost revenue mobilization, strengthen public finance management, and support the Central Bank of Somalia's quest to become a modern institution capable of managing Somalia's financial sector.

k. **United Arab Emirates (UAE)**: UAE sustained a healthy growth rate of 3.1 percent in 2023, benefiting from strong growth in the non-oil sectors, despite the dampening effects of OPEC+ production cuts on growth. For 2024, growth is currently projected to accelerate to 4.2 percent with healthy growth expected for both non-oil and oil sectors. The IMF's Executive Board concluded the 2022 Article IV Consultation for UAE in January 2023. In the near term, the Board recommended efforts to address inflationary pressures by pursuing prudent fiscal 8 policies. On the structural front, the Board recommended that UAE to continue the pursuit of trade and investment integration and to invest in green initiatives to further advance diversification and smoothen the energy transition. On February 24, 2024, the UAE exited the FATF gray list, owing to considerable efforts in strengthening its AML/CFT framework. In 2023, the UAE through its Presidency of COP28, brought several world leaders together to launch the Global Climate Finance Framework. The IMF played an important role in advising the development of this framework. The UAE made several contributions at COP28 towards the implementation of this framework, including launching the USD 30 billion ALTERRA fund, the world's largest private investment fund for climate which aims to mobilize investments in climate particularly in developing countries. The UAE also launched a US$ 4.5 billion Africa Green Investment Initiative and US $100 million to the Loss and Damage fund.

l. **Yemen**: An IMF team conducted a staff visit in Amman, Jordan, with the Yemeni authorities from May 25 to June 8, 2023. Economic and humanitarian conditions are deteriorating. Maintaining reform momentum and progress on conflict resolution will be key to improving the economic outlook. Currently, estimates indicate 17 million people are facing acute food insecurity requiring substantial donor support. External support is urgently needed to alleviate financing pressures, reduce monetary financing, and safeguard hard-won exchange rate and price stability. Continued close donor engagement on capacity development to fill remaining gaps, while increasing funding availability and agility of support, will be key.

II. OUR EXPECTATIONS FOR THE IMF

15. We welcome the Managing Director's Global Policy Agenda. We also appreciate the support of the IMF's Middle East and Central Asia and other departments to our region's needs. In the context of continued uncertainty, and given the numerous policy tradeoffs highlighted above, we look forward to the IMF's agile support to members, particularly FCS, low-income, and middle-income countries, through tailored policy advice, timely and adequate financial support, flexible conditionality and understanding of political-economy considerations. 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:

16. **It is essential that advice on fiscal policy considers the difficult tradeoffs facing policymakers, especially in EMDEs**. High inequality remains a concern as it can fuel social

discontent. The IMF policy advice could usefully focus on protecting the vulnerable from the cost-of-living crisis with targeted and temporary measures. These include increasingly middle-income households, which have traditionally been representative of countries' overall economic health; it would be useful for the IMF to consider how best this group can be supported.

17. **Restoring macroeconomic stability hinges on a global debt restructuring architecture that can durably address debt vulnerabilities.** There is urgency in dealing with increasing debt vulnerabilities in EMDEs, with 54 percent of low-income countries and 16 percent of emerging market economies in or at a high risk of debt distress. We support further efforts to enhance the effectiveness of the common framework. We support the Global Sovereign Debt Roundtable (GSDR) initiative that facilitates discussions on key issues, such as comparability of treatment, cut off dates, and the treatment of domestic debt and restructurings. We encourage regular briefings to the Board on GSDR work. We support the IMF's work on improving public debt transparency and fiscal risk management. We call for enhanced work to alleviate debt vulnerabilities in middle-income countries, as warranted. The IMF, World Bank, and other Multilateral Development Banks need to take the lead in accelerating debt restructuring mechanisms, including by considering debt resolution mechanisms, beyond the common framework, with the aim to make them more efficient and to also include middle income countries where needed. This warrants adequate and timely attention to liquidity needs when they emerge, to prevent them from resulting in solvency problems.

18. The Fund is well positioned to credibly communicate with credit rating agencies, particularly on Environmental, social, and governance (ESG) and green financing initiatives. The September 2023 GFSR indeed highlighted that current methodologies of credit rating agencies do not reward middle- and lower-income countries that implement better climate policies. The chapter concluded that as long as this practice persists, the potential benefits of climate investments for credit ratings are limited. The Fund can also help mitigate the risk of MDBs losing their AAA ratings.

19. **EMDEs that need to maintain a tight monetary stance to tame inflation face difficult tradeoffs** as discussed above. Tailored policy advice is, therefore, crucial to support the membership. The IMF's policy advice on currency movements, in line with the Integrated Policy Framework and the revised Institutional View on Liberalization and Management of Capital Flows, remains timely and relevant. Temporary foreign exchange interventions can address episodes of market dysfunction while temporary capital flow measures on outflows may be useful in crisis situations. We encourage the IMF to conduct further analytical work on the benefits of pre-emptively implementing capital flow measures and macroprudential policy measures.

20. **We encourage the IMF to carry out additional work on structural reforms aimed at enhancing job creation, creating more equal opportunities, and fostering economic diversification,** which are key challenges facing EMDEs. Many EMDEs in our region face the additional challenge of hosting **large refugee flows** over prolonged periods of time, an aspect that

deserves further analytical work by the Fund. Hosting refugees is a global public good. Detailed assessments by the IMF of the direct and indirect economic costs for hosting communities is instrumental to the effort to mobilize adequate and timely donor support.

21. **We support the IMF's continued work to adapt our lending toolkit to better support our vulnerable members**. The upcoming review of concessional financing needs to ensure that the IMF continues to be a strong partner for LICs. The review the General Resources Account access limits, including in the context of the quota increase under the 16th General Review of Quotas, should restore access limits to adequate levels following significant erosion since the last 2016 comprehensive review.

22. **We also look forward to reviewing the IMF's Surcharge Policy, following the IMFC recommendation**. We believe that surcharges remain an appropriate risk management tool and represent an important portion of the Fund's income. However, given the current heightened uncertainty in the global economic outlook and rising interest rates, surcharges are disproportionately burdening vulnerable EMDEs that require large amounts of IMF financing. It is important for the IMF to carefully consider options for lowering the rates and/or raising the threshold for triggering the surcharge policy, so as not to penalize borrowing members.

23. **The Resilience and Sustainability Trust (RST) is an important complement to the IMF's lending toolkit and needs to be expanded to respond to EMDE's needs**. The *Interim Review* of the instrument should consider expanding the RST to key structural challenges affecting EMDEs. These should include, in our view, job creation, more equal opportunities, and economic diversification. Such coverage is at the core of the RST objective to provide essential policy support and affordable long-term financing to help address risks to sustainable and inclusive growth and support reforms. We encourage continued work in these areas. We are pleased that Oman, Qatar, and the UAE in our constituency have committed resources to the RST.

24. **We support preserving the large gains from trade and economic integration, in light of concerning geoeconomic fragmentation.** The IMF's work on trade fragmentation last fall showed that the cost of fragmentation—estimated at about 7 percent of output, and 12 percent for some vulnerable EMDEs, when considering technological decoupling—could be large and weigh disproportionately on EMDEs. Industrial policies (IP) also create market distortion; we encourage the IMF to provide advice to affected countries on ways to ace the implications. We also encourage the IMF to assess the impact of the Carbon Border Adjustment Mechanism on trading partners in EMDEs, which warrants careful assessment of the mechanism, including its pros and cons for climate change, sustainability, trade and development, as well as policy advice for member countries.

25. **IMF policies should aim to leverage on the benefits of new digital technologies while mitigating risks and promoting financial inclusion**. We support 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. Continued work is needed on evaluating the potential benefits and the development of a suitable framework for the implementation of Central Bank Digital Currency (CBDC). Several central banks within our constituency have initiated studies to explore the feasibility of CBDC implementation and we welcome continued work by the IMF on the implications. Artificial intelligence (AI) has the potential to jumpstart productivity and growth, but it also risks disrupting labor markets and deepening inequality. The IMF involvement should be directed by the Board and limited to the institution's mandate and core expertise. The AI preparedness index compiled by IMF staff helpfully shows countries' readiness to harness its potential and mitigate inherent risks.

26. **In its climate-related work, the IMF should enhance its attention to climate adaptation, climate finance, and transition efforts**. Indeed, Climate adaptation and climate just transition were central themes in **Egypt's COP27** and were top priorities of the COP28 that was also hosted by our region. The **United Arab Emirates' COP28** encouraged the IMF to continue supporting policy and financial efforts towards just transition and building climate resilience in member countries. The International Panel on Climate Change estimates that the MENA region will be one of the world's regions hit hardest by climate change in the 21st century as it is warming at twice the global average and is characterized by lengthy droughts and increased water scarcity. At the same time, climate finance and finance to adaptation are very low in MENA compared to other regions, which warrants attention and advocacy. Follow-up on the significant outcomes of COP28 and implications for the region is also warranted.

27. **We fully support the IMF's capacity development (CD) work.** We welcome the envisaged increase in the Middle East and Central Asia department's CD. We trust that this trend will be sustained in the coming years owing to the activities of Lebanon's METAC, Kuwait's CEF, the launch of CCAMTAC and the opening of the new regional office in Ryadh, where the Kingdom of Saudi Arabia's contribution is expected to alleviate funding constraints and help meet demand. We support the focus of planned CD on priority countries, namely program countries and FCS. In this connection, METAC continues to play a central role in CD efforts in our region as it provides technical assistance and training courses to fourteen countries, nine of which are FCS.

28. **The strength of the Fund comes from its talented and diverse employees.** The IMF's decreasing competitiveness and staff wellbeing are concerning matters that need to be addressed seriously. We encourage efforts to achieve **geographic diversity and inclusion benchmarks in underrepresented regions**, particularly MENA. We are concerned about the current freeze on submissions for Green Card applications by retirees from International Financial Institutions headquartered in the United States, which poses significant risks for the IMF, affecting the diversity of its staff.

29. **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 50

percent quota increase under the 16th General Review of Quotas reinforces the quota-based nature of the Fund and strengthens its capacity to safeguard financial stability and respond to members' needs in an uncertain and shock-prone world. We are working towards securing domestic consents to the quota increases by mid-November 2024. The 17th General Review of Quotas should seek to secure a stronger voice and representation for EMDEs. This should not come at the expense of other EMDEs and LICs members.