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Statement by Mr. Al-Sayari
Saudi Arabia

Statement to the International Monetary and Financial Committee
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Over the past 80 years the IMF has helped shape the post-WWII economic order, restoring stability to the international monetary system, fostering global trade, and driving economic growth while improving living standards worldwide. The IMFC has played a crucial role in guiding the IMF by shaping its policies through an evolving economic landscape. Therefore, it is paramount to maintain a strong and unified IMFC to ensure effective support to the IMF, which is at the center of the global financial safety net.

Global Economic Prospects

We welcome the key insights from the Flagship Reports, which highlight the resilience of the global economy in the face of challenging conditions, and we note that the risks to the outlook have become more balanced. This demonstrates the success of policy responses to multiple shocks, supported by strong multilateral cooperation, including through the IMF. However, widening growth divergences among regions and countries, food insecurity, and rising sovereign debt vulnerabilities persist. Furthermore, the tightening of monetary policy in major advanced economies has led to tighter global financial conditions, heightened debt sustainability risks, and exposed financial sector vulnerabilities. This has particularly affected reserve buffers and complicated the recovery in many Emerging Markets and Developing Economies (EMDEs).

The recent developments in Gaza—including the dire humanitarian crisis, the massive destruction, and interrupted access to basic services—add another dimension of challenges for the MENA region and beyond. This geopolitical shock has exacerbated the weak economic conditions in many parts of the region. If escalation continues, it could produce serious consequences across the entire region with wider implication on the global economy, thereby increasing the uncertainty of the global outlook even further.

Despite the encouraging signs about the global economy, it is vital to recognize that the path ahead remains uncertain, underlining the need for continued vigilance and measures to bolster resilience against future shocks. The IMF analytical work to estimate the cost of fragmentation is particularly useful, which underscores its significant impact on global trade, presenting a formidable challenge to the global economy. The concern is particularly pronounced for Low-Income Countries (LICs), which are already grappling with the aftermath of multiple shocks. Against this backdrop, we emphasize that a steadfast commitment to multilateralism and a fair and open international trading system for the benefit of all are crucial for fostering a more resilient, prosperous, and equitable global economy.

The Kingdom of Saudi Arabia empathizes with LICs in need of concessional financing from the IMF. It is for this reason the Kingdom has made one of the largest loan contributions to the PRGT since the start of the 2021 fundraising round, totaling SDR 2.8 billion. Moreover, the Kingdom has also been an active participant in the United Nations Official Development Assistance (ODA) program, contributing significantly to international development and global humanitarian efforts. Historically, the Kingdom has provided approximately $243 billion in ODA to date, with around $34 billion donated between 2018 and 2023 alone. The Kingdom was ranked first in the Arab world and was among the top global donors in ODA in 2022 as a percentage of GNI.

We welcome the WEO assessment of the current phase of disinflation, although upside risks to the inflation outlook should not be underestimated. Against this backdrop, cautious monetary policy calibration, based on incoming data, is warranted to steer inflation towards the target. Furthermore, it is necessary to closely monitor risks to financial stability posed by a prolonged period of tight monetary policy, while ensuring banks and non-bank financial institutions are supported by adequate supervisory frameworks and prudential measures.

Given that the global economy appears to be heading towards a soft landing, it is timely and appropriate to shift policy focus towards strengthening fiscal sustainability. Indeed, the normalization of fiscal policy is warranted for rebuilding buffers, safeguarding public finances, and supporting the deceleration in inflation rates. These measures are essential not only for stabilizing economies, but also for maintaining fiscal and debt sustainability.

In a more shock-prone world with rising financing needs and diminishing policy space, the approval of the 16th General Review of Quotas (GRQ) in December 2023 is a crucial step in securing a strong, quota-based, and adequately resourced IMF at the center of the global financial safety net. The priority lies in the swift and successful implementation of the quota increases. Saudi Arabia is expeditiously finalizing domestic approvals for consenting to the quota increases.

The IMF Role in Current Challenges

Amid still-tight financing conditions and high debt burdens, the IMF's role in providing timely support to ease liquidity pressures and stabilize vulnerable economies cannot be overstated. It is vital to foster international cooperation—especially in sovereign debt restructurings through the G20 Common Framework—to help developing countries mitigate liquidity concerns, create fiscal space for priority spending, and unlock access to much-needed financing.

We welcome the IMF’s focus on debt issues and lending policy reviews, across the GRA and PRGT, to assist members and to ensure their stability and resilience against future shocks. Additionally, we underscore the importance of prudent macroeconomic policies, fiscal reforms, and improved debt management to safeguard public finances and achieve debt sustainability while strengthening social safety nets. The Review of Program Design and Conditionality is also crucial in the design of reform programs that promote stability, catalyze investment, and foster inclusive growth.

In this rapidly changing world, the IMF should review its policies, as needed, to ensure their continued relevance and effectiveness. Given significant heterogeneity across the membership, the importance of delivering tailored policy advice as part of surveillance and program engagement cannot be overemphasized. The Fund’s surveillance activities should continue to be adaptable to meet the needs of the evolving economic and financial landscape. Further progress in incorporating macro-financial analysis into bilateral surveillance is essential, including financial spillovers and the volatility of capital flows and their effects on stability in EMDEs.

Digitalization presents significant opportunities and risks, underscoring the need for the IMF, in coordination with relevant international organizations, to guide its members in incorporating digital advancements while ensuring global financial stability and reducing global inequalities. International cooperation is crucial in the digital transition, particularly in helping developing countries to navigate the challenges of a widening digital divide.

Structural reforms remain key for boosting medium-term growth, inclusiveness, and resilience. Improving the business environment, governance, human capital, and the functioning of product and labor markets can all help enhance productivity and growth prospects. However, the choice, design, and sequence of reforms should be tailored to each country's specific conditions and circumstances. In this vein, increased international trade integration is also crucial for supporting growth to return to pre-pandemic levels (including in LICs), and for accelerating convergence towards higher income levels. We concur that the IMF’s engagement on trade policies falls within its mandate, underlining its significance in light of rising geo-economic fragmentation. Thus, it is essential for the IMF to stay engaged with the WTO to explore ways to encourage free and fair trade to support economic integration.

We rely on the IMF's continued support to strengthen institutions and policymaking capacities that underpin economic stability and growth across its membership through Capacity Development (CD). We support the continued focus of CD activities within the IMF’s core expertise, including domestic revenue mobilization, public financial management (PFM), and debt management. It is crucial to expand CD delivery, focusing on areas critical to LICs and FCS, to address institutional and policy gaps, as well as to support their recovery from recent multiple shocks. Furthermore, the efforts to integrate CD activities with policy dialogue under surveillance, as well as with programs to enhance engagement with member countries, should continue. To help address the imbalance in regional distribution of CD, we supported the opening of the new regional office in Riyadh. This partnership between Saudi Arabia and the IMF, with our funding contribution of $279 million over the next 10 years, will help strengthen the provision of capacity development in the MENA region and beyond.