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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

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On Behalf of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, Somalia, United Arab Emirates, and Yemen
International Monetary and Financial Committee
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I. THE GLOBAL ECONOMY, THE MIDDLE EAST AND NORTH AFRICA (MENA) REGION, AND OUR CONSTITUENCY MEMBERS

1. At the outset, we remain deeply concerned about the profound humanitarian crisis and interrupted access to basic services in Gaza, as well as the worsening economic and social situation. The war 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 war is having negative economic impact particularly on neighboring countries such as Egypt, Jordan, Lebanon, and Syria. The war is also having an adverse impact on the wider MENA region and internationally due to higher insurance costs and increased maritime risks for vessels going through the Red Sea. We call on the international community to use all its influence to end this crisis. 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. We also urge the immediate mobilization of donor support and coordination mechanisms to address urgent humanitarian needs and lay the groundwork for reconstruction and economic recovery.

The Global Economy

2. **The sharp rise in protectionism and intensifying trade policy uncertainty pose significant challenges to the global economy.** [1] They compound previously projected underwhelming global activity—amidst rising debt burdens and persistent geopolitical uncertainty—and have severely weakened the growth outlook, raised risks of inflationary pressures, heightened downside risks, and amplified financial vulnerabilities. This includes a broad sell-off across asset classes, including sharp declines in equity markets and increased volatility in bond and currency markets. Rapid policy shifts in major economies, coupled with deteriorating investor sentiment, could trigger further market volatility, disruptive capital flows, and sharp exchange rate adjustments, especially in EMDEs. We are particularly concerned about low-income countries (LICs), fragile and conflict-affected states (FCS), and small developing states (SDS), as they are disproportionately vulnerable to external shocks, including the recent tariff measures.

[1] Increased trade policy uncertainty (TPU) can have substantial negative effects on the global economy. A study by the Federal Reserve found that a rise in TPU in early 2018 accounted for a decline in global GDP of about 0.8% for the first half of 2019. See https://www.federalreserve.gov/econres/notes/feds-notes/does-trade-policy-uncertainty-affect-global-economic-activity-20190904.html

Limited fiscal buffers and underdeveloped markets often constrain these countries' ability to respond to shocks.

3. **The outlook is characterized by intensifying downside risks**. These stem from escalating protectionism, ratcheting up trade war, financial instability, external volatility in emerging markets, entrenchment of price pressures, and further fiscal indiscipline. In addition, for the 53 percent of low-income developing countries and 23 percent of emerging market economies that are still at high risk of debt distress or in debt distress, servicing high debt levels may become more challenging in less favorable global financial conditions. The decrease in international development assistance could further deteriorate as a result of the ongoing tariffs shock**.** The macroeconomic consequences for aid-receiving countries would be substantial, including worsening of current account balances, decline in foreign reserves, pressure on exchange rates and prices, and lower consumption and investment.

4. **Against this background, countries should focus on safeguarding domestic stability**. Central banks' efforts should concentrate on monitoring price pressures and inflation expectations as risks evolve. Monitoring financial risks and preparing the toolkit to address severe financial instability are also essential. Amidst depleted buffers in many countries, fiscal policy needs to ensure a sustainable path and to rebuild fiscal buffers, while tackling new fiscal needs prudently and maintaining adequate social safety nets and investment spending. Structural reforms are necessary to enhance medium-term growth prospects. Policymaking needs to be mindful of policy tradeoffs in several EMDEs.

5. **Multilateral cooperation remains essential to progress on issues of common interest**. These include promoting stable trade rules, securing global peace, and addressing debt vulnerabilities.

The MENA Region

6. **While growth in the MENA region was broadly stable in 2024 at about 2%, MENA economies have been affected by the recent extraordinary rise in global uncertainty**. The main concern is the possible greater impact of high global uncertainty on economic activity and financial conditions. Growth in several MENA oil importers, including Lebanon, Palestine, Sudan, and Syria, was adversely affected by regional conflicts. Regional conflicts also spilled over to Egypt, through disruptions in the Suez Canal which affected trade and fiscal revenues, and Jordan, mainly the tourism sector. For MENA oil exporters, while the impact of regional conflicts has been relatively muted, the extension of OPEC+ voluntary production cuts have dampened activity in the oil sector. On the bright side, non-oil growth in the GCC remained robust, owing to domestic investment, as well as continued structural reforms and economic diversification efforts. At this stage, the direct impact of the announced US tariffs seems to be moderate for most MENA countries. Nonetheless, the indirect impact could be negative via the following channels: lower global growth, tighter financial conditions, and lower oil prices.

7. **We are extremely concerned that potential foreign aid cuts could have serious humanitarian and economic implications in MENA conflict-affected states**. The IMF staff work shows that total Official Development Assistance (ODA) to the MENA region has generally fallen back to pre-pandemic levels, largely reflecting a reduction in grants. At the same time, ODA plays a crucial role in providing food aid and humanitarian assistance to fragile and conflict-affected states, including Yemen and Somalia in our constituency, where many populations are facing severe food insecurity. A continued decline in ODA to these vulnerable countries could have significant humanitarian repercussions, potentially exacerbating unrest and increasing the risk of famine conditions in some areas.

8. Fiscal policy in the region continues to strive to preserve debt sustainability, build buffers, and support monetary tightening. In many countries, fiscal policy also grappled with conflict and post-conflict management. 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. A key vulnerability for the **LICs and FCS** in our region is their persistent lack of fiscal space to protect their vulnerable populations and the challenges associated with fragility. Many FCS also face debt sustainability constraints. In these countries, any new shocks, including reduced ODA, as mentioned above, and trade barriers, will severely affect fiscal positions, stoke social tensions and weigh further on growth. Higher-for-longer interest rates could also pressure fiscal positions, rendering debt rollovers more costly and keeping financing needs elevated.

9. **Restoring price stability remains a high priority for our policymakers.** Monetary policy generally remained tight across the region. Countries with pegs to the USD raised interest rates broadly with or following the US Federal Reserve’s rate increases. As a result, inflationary pressures broadly declined across the MENA region. However, the USD has depreciated against other major world currencies (such as the Euro, British Pound, and Japanese Yen) in recent weeks, which poses a risk of imported inflation for countries that peg their currencies to the USD. At the same time, MENA countries strived to preserve central bank independence so that monetary policy can be a more effective tool to stabilize inflation.

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 AI, promoting sustainable finance, and supporting climate resilience in vulnerable nations. Against the recent developments in the global economy, our region is also keenly aware of the importance of enhancing trade diversification and fostering cross-regional integration to help reduce vulnerabilities to external shocks while attracting long-term investments.

II. OUR EXPECTATIONS FOR THE IMF

11. 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 FCSs, LICs, SDS, 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. The Fund's convening power and analytical capacity are essential for preserving international cooperation in the face of fragmentation. Our priorities for the coming period are the following:

12. **We call for continued focused Fund work on trade fragmentation, exchange rate volatility and capital flows, and the spillover effects of evolving industrial policies.** It will be especially important to assess the regional impacts of trade tensions—including on the MENA region—and their implications for oil prices and the broader economies of oil-exporting countries. In this connection, we welcome that the Fund is intent on providing fact-based, tailored, and evenhanded advice to the membership. This should be underpinned by solid data and analysis. We urge the Fund to deepen its work on the macro-critical impacts of trade fragmentation and emerging geoeconomic blocs—especially the implications for supply chain resilience, energy markets, and cross-border investment flows in vulnerable regions.

13. **The Fund's policy advice on currency movements, in line with flexible implementation of the Integrated Policy Framework and the revised Institutional View on Liberalization and Management of Capital Flows, is essential**. The trade policy shock, cross-country divergences in paths to monetary policy normalization, and a more volatile US dollar outlook, could indeed be sources of renewed financial market volatility.

14. **We call on the Fund to assess the impact on member countries of the potential decrease in ODA and to suggest mitigation efforts to be coordinated by the Fund**. This includes the impact of aid-receiving countries on current accounts, the decline in foreign reserves, pressure on exchange rates and prices, and lower consumption and investment. The decrease in ODA will indeed have significant impacts on global development efforts limiting resources for health, education and poverty alleviation programs, and hindering progress towards the SDGs. We are hopeful that the upcoming Fourth International Conference on Financing for Development (FfD4) will lead to reforms in the global financial architecture, increased access to concessional financing, and increased investment in the SDGs.

15. **It is essential that the Fund's policy advice considers the difficult tradeoffs facing policymakers, especially in EMDEs**. With regards to monetary policy, nuanced advice in the context of bilateral surveillance needs to consider the tradeoffs, particularly in EMDEs, between a

tight monetary stance to anchor inflation expectations and safeguarding financial stability. Nuanced advice to Central banks also needs to be mindful of the inflation-output tradeoff, with adequate interest rate adjustments and forward guidance to influence aggregate demand and expectations, aiming for a balance that keeps inflation stable without harming unemployment or economic activity. With regards to fiscal policy, nuanced advice in the context of bilateral surveillance needs to consider the difficult tradeoffs facing policymakers in EMDEs, between protecting the vulnerable, preventing rising debt levels, and meeting development and transformational needs.

16. **Fiscal policy needs to be mindful about equality concerns**. It is essential that fiscal consolidation preserves the vulnerable, as they are critical for maintaining social cohesion. High inequality remains a concern as it can fuel social discontent; it therefore merits further attention in the Fund's multilateral surveillance work. Protecting the vulnerable from the cost-of-living crisis with targeted and temporary measures is essential. This vulnerable group now increasingly includes middle-income households, which have traditionally been a key indicator of a country's overall economic health. Therefore, policy advice should focus on the most effective ways to support these middle-income households.

17. **Restoring macroeconomic stability hinges on a global debt restructuring architecture that can durably address debt vulnerabilities.** For countries facing unsustainable debt situations, timely and adequate debt restructuring—backed by the international community—remains the highest priority. To that effect, building on recent progress, we support further efforts to enhance the effectiveness of the Common Framework to ensure that a larger number of countries benefit from timely and predictable debt treatments. The Global Sovereign Debt Roundtable facilitates discussions on key issues, such as comparability of treatment and timeliness for restructuring processes. We support the Fund's work on public debt transparency, fiscal risk management, and the Fund's capacity to support countries undertaking debt restructurings. Enhanced work to alleviate debt vulnerabilities in middle-income countries is needed, as warranted, including through IMF-IFI joint efforts to accelerate debt restructuring mechanisms beyond the Common Framework.

18. **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. We stress the importance of considering the social acceptability of structural reforms.

19. **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**. We support

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.

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. We appreciate the IMF's work on market developments and the impact of AI on energy demand. In this connection, policymakers and businesses must work together to ensure AI achieves its full potential, while minimizing societal costs.

20. **We fully support the IMF's capacity development (CD) work.** We trust that adequate CD will continue to be provided to our region, owing to the activities of Lebanon's METAC, Kuwait's CEF, the CCAMTAC and the opening of the new regional office in Riyadh, 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. 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, and thus ensuring continued adequate funding to METAC is essential.

21. **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. Based on the latest available data on diversity and representation, we note with concern that MENA recruitment continues to lag across all recruitment programs. This is a longstanding issue, and we hope to see tangible progress being made. We urge the IMF to accelerate efforts to achieve agreed-upon **geographic diversity and inclusion benchmarks**, particularly for the MENA region staff to ensure fair geographic representation. Fair representation of Arab staff is indeed essential for the effectiveness of the Fund and its meaningful engagement with countries in our region.

22. **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 uncertain 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. Many of our countries have secured, or are working to secure, domestic approvals for our consent to the quota increase under the 16th General Review of Quotas. We recognize the importance of realignment in quota shares under the 17th General Review of Quotas, although this should not come at the expense of EMDEs and LICs members. We look forward to developing principles in this regard, drawing from the deliberations by IMFC Deputies during their meeting in Diriyah, Kingdom of Saudi Arabia, during April 6-7, 2025.