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Minister of Finance

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(VIRTUAL)

This Development Committee is being held at an extraordinarily challenging time when the world is confronted with the fast-spreading COVID-19 pandemic. It has not only created an unprecedented health emergency but has also pushed the global economy into a crisis bigger than the global financial crisis of 2008-2009. It has severely restricted movement of people, goods and provision of services; increased volatility in commodity prices; jolted financial markets wiping out a huge amount of market capitalization; disrupted supply chains; and contracted the real sectors leading to output and job losses.

The vast potential of the medium to long-term health and economic impacts of the pandemic calls for an aggressive, globally coordinated response. It is imperative that this extraordinary pandemic receives extraordinary response to protect the people inflicted by the virus and contain its spread to reduce morbidity and mortality of the most vulnerable; and in parallel, provide financial support to reduce the social and economic impacts of the virus, all of which is critical for restoring economic and financial stability.

We commend WBG and IMF for a swift announcement of emergency response to client countries by setting aside significant capital resources and adopting expedited disbursement processes. Policymakers in the developing world are confronted with serious challenges in addressing the health and economic impacts of the pandemic shock, with many countries having little or no fiscal space. We encourage WBG and IMF to work together and coordinate with other international and regional organizations in helping countries impacted by the pandemic. Flexibility is also needed to engage with countries which are in arrears, debt distress, are near their exposure limits or hosting refugees.

With support from IFC and MIGA, the private sector can play a critical role in resorting and strengthening supply chains, which will involve support to firms of all sizes-small, medium and large. Strengthened with additional capital that the shareholders have agreed to provide, IFC especially needs to exploit the full potential of the cascade approach to support existing and new private sector clients. In that context, I encourage IFC to step-up its financing, innovative technology solutions and firm-level advisory support.

The situation of low income and FCV countries is worrisome, given their limited capacity and preparedness and increased liquidity needs for an effective response to the crisis. We are concerned about the impairment or crippling of national and global supply chains and distribution networks particularly where they involve poor countries. We welcome IDA’s rapid and flexible response to support vulnerable countries, including through the innovative instruments of the Crisis Response Window. With the recent strong IDA 19 replenishment and IBRD capital increase, the World Bank is well positioned to
assist countries to improve their crisis-preparedness, address weak and overwhelmed health systems, and mitigate the risk of social unrest and fragility that could potentially wipe out a generation of economic progress and poverty reduction.

To advance coordinated response, the Saudi G20 presidency convened an extraordinary virtual summit of the G20 Leaders on March 26. Leaders committed to do whatever it takes to overcome the impacts of COVID-19 in cooperation with the WHO, IMF, the World Bank Group, UN, and other international organizations. They affirmed injection of over $5 trillion into the global economy, as part of targeted fiscal policy, economic measures, and guarantee schemes to alleviate the social, economic and financial impacts of the pandemic. On the direction of the G20 Leaders, the FMCBGs have, on April 15, adopted an ambitious G20 Action Plan to jointly counteract the pandemic, which comprises immediate and medium-term measures to tackle the pandemic, ignite recovery and support strong, sustainable and inclusive growth, and includes a concrete proposal for providing debt relief to poor countries.

We appreciate the WBG and IMF’s proactive engagement on the issue of the debt burden of IDA countries and their call for international action in support of debt relief to those countries. The G20 coordinated approach to provide debt service suspension for the poorest countries by official bilateral creditors would augment the liquidity needed to meet urgent crisis response needs of all eligible countries.

On the domestic front, Saudi Arabia has taken a wide range of countermeasures to minimize the spread and health impacts of the pandemic, as well as its economic fallout and burden on citizens and businesses. The government has allocated additional financing of SAR 47 billion ($12.5 billion) to the health sector to fight the pandemic. A fiscal stimulus package of more than SAR 129 billion (USD 34.4 billion equivalent) has also been activated to support vulnerable sectors of the economy including informal sector. The measures include compensating 60% of employee salaries for eligible businesses for the next 3 months to avert large-scale job layoffs during this pandemic. The Government will also provide free medical treatment to all COVID-19 victims, including non-citizens as well as those residing illegally in the Kingdom in the name of humanity. In addition, the Saudi Arabian Monetary Authority has introduced a Private Sector Financing Program of SAR 50 billion (USD 13.3 billion equivalent) to support SMEs with a view to reducing coronavirus-related financial burden on the private sector.

These measures have borne positive impact on consumer sentiment, as reflected by Saudi Arabia’s advancement to the top of the IPSOS Consumer Confidence Index. Moreover, amidst this pandemic that the whole world is currently living, Fitch affirmed the Kingdom’s rating at “A” with a stable outlook & Moody’s updated its credit report to the Kingdom at “A1” with a stable outlook, which confirm the strength & stability of Saudi economy.

On the global front, Saudi Arabia has supported global initiatives to mitigate the negative impact of the pandemic as well as multiple countries in the region. Saudi Arabia has pledged $10 million to the World Health Organization and will contribute $500 Million to the UN Humanitarian Response Plan in Yemen as well as a grant of $25 Million to the government to support national COVID-19 response plans. It has already offered extension of its maturing deposits with some countries in the region as well as new financial support in an amount of $4.6 billion to help them create the needed fiscal space.

One of the global fallouts of COVID-19 is the steep decline in demand for most commodities and a broad-based price collapse. Saudi Arabia is not immune but remains in a good position to withstand the economic impact of low oil prices resulting from the oil demand shock. Restoring the market balance would require significant production cuts if the pandemic prolongs and growth continues to soften. The recent OPEC+ agreement with unprecedented production cut was aimed to prevent a glut in the international oil market. Saudi Arabia stands ready to continue working with other producers to ensure stability of the international oil market.