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**Statement by Mr. Mohieldin, Mr. Alhosani, and Ms. Fadhel on Saudi Arabia
(Preliminary)
Executive Board Meeting
June 30, 2021**

We thank staff for the useful report and Mr. Mouminah, Mr. Al Homaly, and Ms. Al Saud for the insightful and comprehensive Buff statement.

The Saudi economy is recovering well from the impact of the pandemic, largely driven by a strong rebound in the non-oil sector, more favorable global oil prices and successful vaccination program. Aided by a wide range of structural reforms in the financial sector, regulatory framework, labor market and digital economy, the country is moving expeditiously towards achieving its ambitious diversification agenda *Vision 2030*, which could further support private sector growth, boost long-term productivity, create more jobs for Saudis and further increase female participation in the labor force. Moreover, the recently announced *Saudi Climate Strategy*, particularly the *Saudi Arabia Green Initiative* and *Middle East Green Initiative*, would likely he Kingdom on a more sustainable growth path. We would like to make the following points.

The fiscal deficit in 2020 was met by careful measures that stroke the right balance between meeting Covid-related spending and maintaining fiscal discipline. We largely agree with the set of measures taken by the authorities to mobilize more revenue, through reserve withdrawals and market access, and to reprioritize spending to meet the emerging health and economic needs. *While the level of fiscal spending in the Kingdom during the crisis was below the G20 average, the implemented measures have helped in efficiently creating additional space for priority spending while maintaining long-term fiscal sustainability objectives. Did staff consider the fiscal multiplier in the Kingdom when assessing the impact of the 2020 fiscal stimulus on growth?* We trust that the intended *Fiscal Sustainability Program* will help to strengthen the medium-term fiscal planning. We also welcome the new Social Security Law which should help to strengthen the framework for income support and enhance its targeting. The improved fiscal transparency and the development of the sovereign asset-liability management (SALM) framework are steps in the direct direction.

The diversification efforts and structural reforms have gained momentum and increased the potential for long term productivity growth and job creation. The Kingdom has embarked on a series of ambitious structural reforms that will help to address remaining gaps in the current economic model and further enhance its competitiveness. In particular, we note the growing role of digitalization in the economy to provide government services, *e-government and GovTech* and financial services *FinTech*, allowing the establishment of the first two digital banks in the Kingdom. With a young and highly tech-literate population, the Kingdom ranked 9th on digital skills in the World Economic Forum's Global Competitiveness Report 2020. *Therefore, we see a scope for further improving the ICT adoption and digital legal framework in the Kingdom which should help to boost productivity and further promote inclusive growth.* In this regard, we note the recently announced *Digital Economy Policy* which should help to create more competitive advantages for the Kingdom through facilitating a wider adoption of digital technologies and FinTech solutions which should support the transition into a cashless society and improve financial inclusion.

The rapid increase in female participation in the labor market is a testimony to the successful reforms aimed at lifting restrictions on their mobility and employment. Continuing to empower women and close remaining gender gaps would bring significant economic gains to the Saudi economy through boosting productivity, growth and household income. *We believe that the kingdom is moving in the right direction towards closing the gender gap, including through providing more economic opportunities and enabling greater participation of women in senior/top leadership roles in both public and private sectors.*

The recently announced Saudi Climate Strategy, including the Saudi and Middle East Green Initiatives, would add an important player to the globally coordinated efforts to address climate change challenges. *The announced commitment to reducing the GHG emissions that builds on Circular Carbon Economy (CCE), including to further reduce energy price subsidy and increase gas/renewables mix are welcomed steps and would help to improve the prospects for a more sustainable economy.* The kingdom's aspiration to become an energy-producing country and a global hub for green hydrogen would set a good example for other oil-producing countries looking for solutions to reduce GHG emissions while sustaining future revenues.

With these remarks, we wish the Kingdom of Saudi Arabia and its people all the best.

Comment [FD]: