



صندوق النقد العربي
ARAB MONETARY FUND

“Managing Indebtedness: Global Cooperation for Sustainable Economic Growth”

**Statement by
H.E. Dr. Abdulrahman A. Al-Hamidy
Director General Chairman of the Board
Arab Monetary Fund**

**Intergovernmental Group of Twenty-Four (G24)
The Ministerial Meeting
Marrakech, October 10, 2023**

It is a delight for me to attend this regular meeting, and I would like to express my gratitude and appreciation to the Secretariat of the Intergovernmental Group of Twenty-Four (G24) for the kind invitation. In the intricate tapestry of the global economy, the impending specter of debt casts an unavoidable shadow. I am privileged to address you today on a matter of the utmost importance: the risks of debt and the imperative need for international cooperation to mitigate their effects. The complexities of our contemporary world necessitate a coordinated response, and it is with great humility that I offer my perspective on this pressing matter.

The global economy is interconnected, with economic threads linking continents to bind nations in prosperity and vulnerability. In recent years, the increase in debt has emerged as a critical challenge, threatening the fundamentals of economic stability. According to the International Monetary Fund (IMF) estimates, the public debt-to-GDP ratio of emerging markets and developing economies increased from 51.4% in 2017 to 64.6% in 2022 while the total global debt-to-GDP ratio reached a record high of 254%, casting doubt on the ability of nations to meet their financial obligations without affecting the welfare of their citizens, especially with the significant increase of the debt service cost given the high interest rates.

This specter of elevated debt brings about a cascade of consequences. National economies get stuck in a cycle of debt servicing, which diverts funds from essential social expenditures such as healthcare, education, and infrastructure development. The instability of financial markets heightens the likelihood of contagion and increases the fragility of the global economic ecosystem. Under the weight of economic uncertainty, the capacity for dealing with economic disruptions diminishes, and the social contract between governments and their citizens frays.

While nations struggle individually with debt challenges, the solutions reside in collective action. International organizations recognize the situation's urgency, and global efforts to address the potential risks of excessive debt have gained momentum. The IMF, the World

Bank (WB), the Group of Twenty (G20), regional organizations such as the Arab Monetary Fund (AMF), and other multilateral organizations are actively engaged in dialogue and initiatives aimed at mitigating the risks associated with high levels of debt. However, the effectiveness of these institutions depends on the level of coordination and cooperation they inspire. Due to the interconnectedness of the global economy, a fragmented response will produce suboptimal outcomes. To effectively manage and reduce the risks associated with high indebtedness, it is essential that nations join to share burdens, knowledge, strategies, and best practices.

International and regional financing and development institutions, such as the IMF, the WB, and the AMF, play a crucial role in assisting nations to navigate the complexities of debt management. These institutions provide financial resources, technical assistance, and policy advice to assist nations with debt-related issues. However, it is essential to ensure that the conditions related to financial support are consistent with the recipient countries' long-term economic goals and social welfare, avoiding excessive austerity measures that could exacerbate societal tensions.

The Arab region is at a crossroads where economic potential and vulnerabilities intersect. As with their global counterparts, Arab nations are not immune to the challenges posed by rising debt burdens. According to AMF estimates, the ratio of public debt-to-GDP in the indebted Arab countries amounted to 97.7% in 2022. The AMF emerges in this context as an agent of regional cooperation and a conduit for international cooperation. The AMF's commitment to addressing the complex challenges of excessive debt reflects the critical importance of this issue. In addition to financial resources, the AMF is dedicated to organizing workshops, conferences, and meetings for policymakers to exchange views and explore appropriate policies for debt sustainability and, more generally, economic stability.

In this regard, the AMF, in collaboration with the relevant authorities in Arab countries and international institutions, hosts several high-level events annually to facilitate the exchange of knowledge among Arab nations. The events include the meeting of Arab Deputy

Ministers of Finance, the Arab Fiscal Forum, and the Workshop on "Improving the Efficiency of Public Debt Management in Arab Countries." In addition, the AMF serves as a secretariat for the Council of Arab Finance Ministers. These events provide a forum for high-level officials and policymakers to discuss and share their perspectives on the risks of indebtedness, the need to strengthen coordination and international cooperation to address the challenges resulting from high indebtedness, and the role of international and regional financing and development institutions.

In addition, AMF's efforts extend beyond the scope of its regional mandate. The AMF contributes to broader global efforts to promote financial stability through fostering a culture of sustainable financial practices. The institution's research and reports on indebtedness, risk management, sustainable finance, etc., reflect the belief that managing the risks of high indebtedness requires an integrated strategy considering economic, social, and environmental dimensions.

It is impossible to overstate the significance of international financing and development institutions. They provide financing at a concessional rate, tools to channel funds from countries with fiscal space to those with challenges accessing markets at a reasonable cost, policy advice, and building capacity activities to assist countries in adopting policies that would preserve debt sustainability in the future. The initiatives of the AMF are consistent with broader international initiatives that support financial stability, debt sustainability, and sustainable development. Through the collaborative efforts of institutions such as the IMF, the WB, the AMF, etc., nations can collaboratively meet the challenge of excessive debt.

In conclusion, the risks presented by indebtedness are significant and require a concerted global effort to address them effectively. Arab nations, with the support of the AMF, have a unique opportunity to develop regional cooperation and collaborate with international institutions to manage their debt obligations prudently. Countries may foster financial stability, stimulate sustainable development, and ensure that indebtedness does not impede progress toward economic prosperity by engaging in open dialogue, sharing expertise, and

formulating inclusive policies. Through enhanced coordination and international cooperation, the challenges associated with higher indebtedness can be transformed into growth and resilience opportunities.

As we stand at this moment of greatest need, let us not forget that our actions today will echo for generations. By strengthening collaboration across borders, building financial stability, and advocating for sustainable practices, we can get through the turbulent conditions of economic uncertainty and steer our nations toward a future characterized by shared prosperity and stability. The road ahead is difficult, but we can surmount the challenges of high debt and forge a path to a more resilient and sustainable global economy if we work together.

Thank you.

www.amf.org.ae