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"Achieving Job-Rich Economic Transformation in a Fragmented Global Economy"

Intergovernmental Group of Twenty-Four (G24)

The Ministerial Meeting

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Excellencies, distinguished colleagues,

Achieving inclusive, job-rich economic transformation has become a pressing challenge facing emerging markets and developing economies. While many countries have made progress in restoring macroeconomic stability following successive global shocks, translating economic growth into meaningful and sustained employment remains a persistent and complex challenge. In this regard, the current global environment, which is characterized by heightened uncertainty, tighter financial conditions, and structural shifts in the global economy, is making this task increasingly difficult.

Global Fragmentation: A Structural Shift

The global economy is undergoing a profound transformation, with fragmentation emerging as a defining structural feature. Trade patterns are becoming increasingly segmented, financial flows are more selective, and technological ecosystems more divided. These developments reflect a combination of geopolitical tensions, shifting policy priorities, and efforts by countries to enhance economic resilience and security.

Recent assessments by the International Monetary Fund highlight that global growth is expected to remain moderate in the near term, constrained by tighter financial conditions, elevated debt levels, and persistent uncertainty. At the same time, growing evidence suggests that fragmentation, particularly in trade and capital flows, can have significant adverse effects on long-term growth by reducing investment, limiting the diffusion of technology, and weakening productivity gains.

Trade fragmentation, including the reconfiguration of supply chains and the increasing use of trade restrictions, is altering traditional comparative advantages and reducing efficiency. **Financial fragmentation** is contributing to more volatile and selective capital flows, with emerging and developing economies facing higher borrowing costs and reduced access to external financing. **In parallel, technological fragmentation risks widening the digital divide,** limiting the ability of many economies to benefit from innovation and digital transformation.

In such an environment, achieving job-rich growth becomes more challenging, as the traditional channels through which economies generate employment, such as through trade, investment, and technological progress, are increasingly constrained.

Regional Developments and Implications

Recent developments in the region, including escalating tensions and ongoing conflicts, have further intensified these global fragmentation dynamics. These developments have disrupted key trade corridors, particularly maritime routes, leading to increased shipping costs, higher insurance premiums, and delays in the movement of goods. Such disruptions are not only affecting regional economies but also contributing to broader global supply chain challenges.

For the Arab region, these dynamics are particularly significant. The region's strategic geographic position which serves as a critical link between Asia, Europe, and Africa, illustrates that disruptions to trade routes have direct and immediate economic consequences. Increased logistical costs and uncertainty are affecting trade competitiveness, while disruptions to supply chains are impacting production and investment decisions.

At the same time, volatility in global energy markets is adding another layer of complexity. While higher energy prices may provide fiscal space for some oil-exporting countries, they also contribute to global inflationary pressures and create uncertainty for both exporters and importers. For oil-importing countries in the region, higher energy costs can exacerbate fiscal and external imbalances, placing additional pressure on already constrained policy space.

Moreover, heightened geopolitical risks are influencing investor sentiment, leading to more cautious and selective capital flows. This is particularly challenging for countries seeking to attract investment to support growth and job creation, especially in sectors that require long-term financing and stability.

Implications for Emerging and Developing Economies

For emerging markets and developing economies, including those in the Arab region, these developments are compounding existing structural challenges. The combination of tighter global financial conditions, reduced access to external demand, and increased uncertainty is weighing on growth prospects and limiting the ability of economies to generate sufficient employment opportunities.

Global evidence suggests that many economies are experiencing a growing disconnect between economic growth and job creation. According to the World Economic Forum, structural shifts driven by technological change and evolving economic models are transforming labor markets, increasing demand for new skills while reducing opportunities in traditional sectors. **This transformation requires significant investment in education, reskilling, and workforce development.**

At the same time, limited access to financing, particularly for small and medium-sized enterprises, remains a key constraint to job creation. SMEs are widely recognized as the primary drivers of employment in many developing economies, yet they often face significant barriers in accessing credit and scaling their operations.

Fragile and conflict-affected economies face even greater challenges. In these contexts, the combination of economic disruption, institutional fragility, and limited fiscal space makes it particularly difficult to support recovery and generate employment. Without targeted support, these economies risk falling further behind, exacerbating inequalities and undermining social stability.

Role of the AMF

In this evolving global and regional environment, the role of regional financial institutions such as the Arab Monetary Fund becomes increasingly critical. The AMF is uniquely positioned to support its member countries through its deep understanding of regional dynamics, its proximity to member countries, and its ability to respond in a timely and targeted manner.

Through its financing operations, the AMF provides essential support to member countries facing balance of payments challenges, helping to stabilize economies and create the conditions necessary for growth and job creation. The Fund has also continued to enhance its lending instruments to improve flexibility and responsiveness to the diverse needs of its members.

Beyond financing, the AMF plays a key role in providing policy advice and capacity development. Through its technical assistance programs, the Fund supports member countries in strengthening macroeconomic frameworks, improving public financial management, enhancing financial sector resilience, and advancing structural reforms.

The AMF also places strong emphasis on promoting regional integration, recognizing its importance as a key buffer against global fragmentation. By supporting initiatives that enhance trade, financial cooperation, and connectivity within the region, the Fund contributes to creating larger, more integrated markets that can support investment and job creation.

Policy Priorities and AMF Advocacy

In light of these challenges, the AMF emphasizes several key policy priorities to support job-rich economic transformation:

- **Preserving macroeconomic stability**, including maintaining prudent fiscal and monetary policies, to create a stable environment conducive to investment and job creation.
- **Strengthening financial systems**, with a focus on improving access to finance for small and medium-sized enterprises and promoting financial inclusion.
- **Enhancing domestic resource mobilization**, to create fiscal space for investments in infrastructure, education, and social protection.
- **Investing in human capital**, including education, training, and reskilling, to align workforce capabilities with evolving labor market demands.
- **Expanding infrastructure and connectivity**, particularly in energy, transport, and digital sectors, to support productivity and enable labor-intensive industries.
- **Promoting regional integration**, that aims to expand markets, strengthen value chains, and mitigate the impact of global fragmentation.

These priorities require coordinated implementation to achieve meaningful and sustainable outcomes.

The Way Forward

Achieving inclusive, job-rich economic transformation is both a necessity and a complex policy challenge. In a global environment increasingly shaped by fragmentation and uncertainty, no country can address these challenges in isolation.

Strengthening multilateral cooperation, enhancing the effectiveness of the international financial architecture, and reinforcing the role of regional institutions will be essential to support countries in their development efforts. At the same time, national policies must focus on building resilience, fostering inclusion, and ensuring that growth translates into tangible improvements in employment and living standards.

The Arab Monetary Fund stands ready to continue working closely with its member countries and international partners to support this transformation. Through strengthened financing, enhanced policy support, and deeper regional integration, the AMF remains committed to contributing to a more resilient, inclusive, and opportunity-driven global economy.

Thank you.