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Statement by the Hon. **EDWARD SCICLUNA**,
Governor of the Fund and the Bank for **MALTA**

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It is an honour for me to address the Annual Meetings of the International Monetary Fund (IMF) and the World Bank on the beautiful island of Bali. On behalf of the Government of Malta, I therefore take this opportunity to thank most sincerely the Government of Indonesia and the Authorities for their hospitality and for such excellent and smooth organisational arrangements.

I would like to take this opportunity to express my deepest sympathy and solidarity to the people of Indonesia in the aftermath of the recent natural disaster that has impacted many lives.

Since the last Annual Meetings, global economic growth remains encouragingly solid. Nonetheless the expansion, that started some two years ago, is becoming less synchronized and the growth trajectory may be levelling off in some major economies. Indeed world growth this year is projected to be less strong than originally anticipated, reflecting suppressed activity in several advanced economies in the first half of 2018 and a marking down of prospects for emerging markets and developing countries. It is notable that downside risks to the outlook are mounting, even in the short term, with some having already materialized.

In a scenario of escalating trade tensions, political uncertainties and a buildup of financial and fiscal vulnerabilities, the window of opportunity that the current environment of robust growth is offering for policy action is narrowing. Certainly, this calls for urgent action to step up policies and reforms aimed at supporting the impetus of stronger and more inclusive growth as well as building further resilience against downside risks. It is vital that policymakers embrace country-specific monetary, fiscal and structural policies, avoid protectionist responses and seek solutions for global multilateral cooperation.

In Europe, efforts should be directed at rebuilding fiscal buffers and implementing structural reforms to modernize our economies. Completing the Banking Union and progressing further towards building a Capital Markets Union should continue to feature high on the reform agenda. We note with satisfaction that European policymakers have already advanced on several fronts in this regard, yet more needs to be done to reinforce the region's resilience.

There is no doubt that the IMF will continue to play a fundamental role in tackling new global macroeconomic and financial challenges, provided it is well equipped with the instruments needed to fulfil its mandate.

Key to the Fund's credibility and effectiveness is the availability of resources that are sufficient to meet members' actual and prospective financing needs. It should be kept in mind that the Fund should essentially remain a quota-based and adequately resourced financial institution centrally placed in the Global Financial Safety Net.

Malta remains committed towards the completion of the 15th General Review of Quotas (15th Review), by the agreed deadline. Needless to say, the 15th Review will result in a strong IMF and a governance framework that is fair and inclusive. Any realignment of quota shares should

reflect the relative positions of dynamic economies in the world economy. We stress that the reform should protect the quota share of poor countries. Moreover, discussions on the 15th Review and the quota formula reform must continue to be treated as an integrated package. The four principles that underpinned the 2008 quota formula reform remain valid and the main variables should continue to be GDP and openness as these best reflect the Fund's role and mandate.

Another core element within the IMF mandate is surveillance. I take this opportunity to congratulate the Fund on the significant milestones it has achieved, particularly over the last decade, in ensuring well-founded surveillance and policy advice in support of sound policies and crisis prevention. We note with satisfaction that efforts in this regard are ongoing, as the Fund vigilantly monitors the ever changing global economic and financial landscape. The 2018 Interim Surveillance Review, completed earlier this year, is welcome and we look forward to the Comprehensive Surveillance Review.

The efforts by the IMF and World Bank in the development of the Bali Fintech Agenda are appreciated. The framing of Fintech issues will be useful for policymakers to consider with regard to securing the benefits of financial innovations while addressing the associated risks.

Low-income countries (LICs) continue to face enormous challenges in meeting their Sustainable Development Goals while ensuring a sustainable level of external debt. Of concern is their ever increasing level of debt. It is encouraging to note that the Fund, in collaboration with the World Bank, has started implementing the updated Debt Sustainability Framework. Yet the effectiveness of the Framework to prevent excessive debt accumulation depends on its broad use by both borrowers and creditors. The joint work by the IMF and World Bank on LIC debt is welcome. We are also pleased to note that the Fund will be reviewing its lending facilities for LICs, particularly to address the need for greater domestic mobilization of resources.

On its part, the World Bank Group has also continued with its relentless support to developing countries in all the regions. Certainly keeping pace with global developments and addressing persistent headwinds calls for a World Bank Group that is sufficiently capitalized to achieve its twin goals of ending extreme poverty and boosting shared prosperity for its diverse membership by 2030.

In this respect, a significant landmark for the World Bank Group was the overwhelming shareholders' support for an ambitious package of measures that includes US\$13 billion paid-in capital. I am pleased to inform this meeting that Malta has voted in favour of the package. Supported by the capital increase, it is encouraging to see that the Group has already made a number of transformative reforms.

We note with satisfaction that World Bank Group commitments to developing countries rose to almost US\$67 billion during the 2018 fiscal year, reflecting record increases in human development, climate finance, and International Development Aid support. With climate-related financing reaching 32% of total this year, we commend the Group for exceeding its 28% climate-related lending target initially expected to be achieved by 2020. Indeed this reinforces the Bank's determination to reducing greenhouse gas emissions and building resilience to increasingly intense climate change impacts.

I will conclude by reaffirming Malta's strong support for both the IMF and the World Bank Group as these two institutions continue to undertake their respective mandates in a global environment with several challenges but also opportunities, ultimately making them more responsive to the needs of their broad membership.