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

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Once again I have the honour to address the Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG). I would like to take this opportunity to thank both institutions and the US Authorities for their hospitality and excellent organisational arrangements.

On behalf of the Government of Malta, I would like to congratulate Ms Kristalina Georgieva on her appointment as Managing Director of the IMF and to wish her every success in this prestigious role. I sincerely would like to thank Ms Christine Lagarde for her invaluable service to the Fund in a period characterised by serious global challenges. I also take this opportunity to welcome Mr David Malpass to this year's joint annual meetings, his first as President of the WBG.

The world economy has now reached a delicate juncture. Economic growth, especially manufacturing, continues to be sluggish, following the sharp slowdown in the last three quarters of 2018. Escalating trade and geopolitical conflicts along with deep-rooted policy uncertainty have weighed down heavily on confidence, investment decisions and trade flows. Yet it is encouraging to note that the impact of these forces on financial markets and employment was alleviated thanks to timely action by central banks in many advanced and emerging market economies as they reverted to increased monetary policy accommodation.

Such elevated downside risks do not augur well for global economic prospects. Protracted trade and technology disputes will continue to hurt investment, disturb global supply chains and over the medium term productivity growth, with the serious possibility of derailing the recovery. Also of concern is the persistent rise in private and public debt levels and mounting disinflationary pressures which tend to restrict even further monetary policy space and raises debt sustainability concerns for certain countries.

Undoubtedly this scenario calls for urgent multilateral and national policy action to place the economic recovery on a stronger footing and avoid protracted downturns. Of vital importance are policies that enhance resilience and address constraints to potential output, with the aim of securing sustainable and inclusive growth. The most pressing is multilateral cooperation in resolving trade disagreements and also in areas including financial regulation reform and climate change. At the country level, policymakers should embrace country-specific monetary, fiscal (where fiscal space is available) and structural policies, avoid protectionist responses and seek solutions for global multilateral cooperation.

In Europe, muted growth in foreign demand and weak industrial production have stalled the recovery in the region. As Europeans we must continue to focus on supporting the main pillars of the EU economic policy strategy. Rebuilding fiscal buffers in high debt countries and implementing structural reforms to modernize our economies are critical at the current juncture. Completing the Banking Union and progressing further towards building a Capital Markets Union should continue to feature high on the reform agenda. We are pleased with the success of the Investment Plan for Europe in encouraging an increase in investments in Member States.

IMF's fundamental role in tackling new global macroeconomic and financial challenges remains effective only as long as the Fund is well equipped with the instruments needed to fulfil its mandate. Core to the IMF's credibility and effectiveness is the availability of resources that are sufficient to meet members' actual and future financing needs. Therefore it is crucial that the Fund remains at the heart of the Global Financial Safety Net as a strong, adequately resourced quota-based institution.

We take note of the current difficulties that exist in reaching an agreement for a quota increase and the realignment of quotas towards dynamic economies, satisfactory to all under the 15th General Review of Quotas. Notwithstanding, efforts towards governance reform should continue in order to preserve the Fund's legitimacy as an effective international multilateral institution. It is important that the voice of the poorest members is protected. In this regard, we are open to ensure timely progress towards the 16th Review.

In the current circumstances it must be ensured that the Fund remains adequately resourced. In this respect the next best solution to a quota increase, such as an enlargement of the New Arrangements to Borrow should be sought. In terms of the 2016 Bilateral Loan Agreements, Malta has finalised procedures to extend its commitment for another year. We remain open to consider any future proposals in this regard which are proportionate to Malta's circumstances.

Surveillance of the international monetary system is yet another major responsibility for the Fund. In an environment of heightened risks and rising policy uncertainty, we note with satisfaction that the IMF continues to play a critical role in both crises prevention and management through high quality surveillance and policy advice. Malta strongly supports the Fund's ongoing efforts to refine its surveillance framework and we look forward to the Comprehensive Surveillance Review and the 2020 Review of the Financial Sector Assessment Programme with the aim of supporting sound policies. We also appreciate and look forward to the Fund's work on an Integrated Policy Framework.

I commend both the IMF and the WBG on their relentless financial and technical support to developing countries in order to help them meet their Sustainable Development Goals. Low-income countries (LICs) still have significant hurdles to overcome to meet their commitments while ensuring a sustainable level of external debt. Of particular concern to the global effort to reduce poverty and boost shared prosperity by 2030 are the rapidly rising debt levels in a number of these countries.

Both institutions have jointly scaled up their efforts in support of debt transparency and sustainability. Indeed it is the responsibility of creditors and borrowers, when making lending or investment decisions, to give due attention to the IMF-WBG Debt Sustainability Analyses and to respect the IMF Debt Limit Policy as well as the International Development Association's Non-Concessional Policy. We appreciate the IMF-WBG update on the recent progress of the multi-pronged approach for addressing debt vulnerabilities and support its further implementation. Both institutions are encouraged to enhance debt management capacity building in LICs.

Concessional financial support by the Fund to LICs continues through the Poverty Reduction and Growth Trust and it is encouraging to note that, following the recent interest rate review, all lending facilities to LICs are subject to zero interest rates through end-June 2021.

Financial aid by the WBG to the most vulnerable has continued in earnest, reconfirming not only the Bank's longstanding commitment to make progress in ending extreme poverty and promoting shared prosperity but also its financial strength to meet the challenges ahead. Overall commitments to developing countries continued to be high at US$62.3 billion in fiscal year 2019. We are happy with the solid implementation of the IDA 18 replenishment. It is notable that the Bank was at the forefront in scaling up financial resources in support of countries affected by the Ebola outbreak and by Cyclones Idai and Kenneth.

Regrettably, climate change remains a predominant global threat to the health and livelihoods of people, especially the poor and vulnerable, and to global economic activity. The risks of unabated climate change are significantly mounting. Affected populations are having to endure extreme hardships while the economic cost of insufficient action is ever increasing. This calls for an urgent and coordinated policy response by key stakeholders which involves adequate climate change mitigation action in order to secure a better future for all.

We support both institutions for their climate-change-related work in helping countries honour their commitments under the 2015 Paris Agreement, which is worthless without ambitious action. We appreciate that this year's IMF Fiscal Monitor is aptly dedicated to strategies that mitigate climate change, particularly effective carbon pricing. On its part the WBG persisted in committing financial resources for climate-related action during the 2019 fiscal year. I take this opportunity to congratulate the Bank for having exceeded the 2020 Climate Targets for the second year running and it is notable that for fiscal years 2021-2025, the Bank has doubled its 5-year investment target to around US$200 billion in support of countries that take ambitious climate action.

On behalf of the Government of Malta I would like to welcome Jenski Hentschel as the new World Bank Country Director for the Maghreb and Malta. We look forward to a successful collaboration with Mr Hentschel, his country team and the region as a whole.

I will conclude by reiterating Malta's strong support for both the Fund and the Bank as these two institutions continue to undertake their respective mandates in a challenging and uncertain global environment.