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Statement by the Hon. **JOSEF BONNICI**,  
Governor of the Fund for **MALTA**



**Statement by Mr. Josef Bonnici**  
**Governor of the Fund for Malta**  
**at the Joint Annual Meetings of the International Monetary Fund and the World Bank**  
**October 12, 2012**

It is an honour to address the Annual Meetings of the International Monetary Fund and the World Bank being held in this beautiful city of Tokyo. I therefore take this opportunity to thank most sincerely the Government of Japan and the Authorities of Tokyo for hosting these meetings and for ensuring such smooth and excellent organizational arrangements. Permit me as well to congratulate Dr Jim Yong Kim on his appointment as the twelfth President of the World Bank Group while expressing gratitude to Mr Robert B. Zoellick for his outstanding work during his presidency of the Bank. It is fitting as well to welcome South Sudan as a member of the IMF and the World Bank Group.

Yet again, this year's meetings take place amid deep concerns about the global economy and which continues to be affected negatively by financial sector vulnerabilities and the on-going sovereign stress in the euro area. In many advanced economies, economic growth prospects have deteriorated with the situation being further exacerbated by the persistence of global imbalances. Indeed, economic recovery remains impeded by the risks that have emerged as a result of delayed and insufficient policy action.

As the crisis intensified, we are pleased to note that the IMF has continued to be successful in mobilising resources in order to meet the needs of member countries. However, the severity of the crisis has put into question the adequacy of the Fund's resources at the international level and its ability to effectively fulfil its mandate and play a leading role in securing stability in the international monetary system.

In this regard, collective efforts must be made to support the IMF in its financing role, not only to contain the euro area debt crisis, but also to prevent spill-over effects on other countries and reduce downside risks to global economic growth. In this regard, it is encouraging to note that a number of member countries have already pledged additional resources to enhance the IMF's lending capacity.

Malta and the other euro area Member States have altogether already committed additional resources of €150 billion to the Fund through bilateral loans to the General Resources Account. In this regard it is also satisfying to note that a number of other European and non-European countries have also pledged their respective contributions to the Fund's resources and we would like to encourage other IMF members to actively support this international effort.

This substantial temporary increase in funding will certainly boost the IMF's resources, enabling it to fulfil its mandate but one must not lose sight of the fact that the Fund remains a quota based institution dependent on its own resources. In this regard, the Fund's legitimacy and effectiveness hinges to a very large extent on the availability of quota resources that are commensurate with the potential long-term needs of its members and on a governance framework that is perceived to be fair and inclusive. While good progress on the ratification process of the 2010 Quota and Governance reforms has been made by members,

unfortunately the necessary majority has still not been obtained. We therefore call on the remaining Fund members to ratify the governance reforms so that the implementation of such reforms will be set in motion.

With reference to the Fund's preliminary discussions on the quota formula review as part of the agreement on Quota and Governance reform, we trust that the review of the quota formula will better reflect the broad mandate of the Fund, including the multiple purposes it is meant to serve. In this regard, we agree that the principles that underpinned the 2008 quota formula reform should continue to guide the current review. In particular, we support the view that the relative importance of openness in the quota formula should be retained as a signal of commitment against protectionism, in line with the Fund's principles of supporting the promotion of free trade.

Although the sovereign debt crisis in Europe continues to absorb much of its efforts, the Fund continues to have an essential role to play in supporting Low Income Countries (LICs) especially at this stage of the financial crisis. While resources have been expeditiously acquired to combat the global crisis, the Fund rightly stresses that the 2009 LICs financing package to enable concessional lending remains incomplete. The decision to allocate a portion of the windfall gold sales profits for the purpose of providing new subsidy contributions to the Poverty Reduction and Growth Trust is an appropriate one and we fully support it. We continue to welcome any initiative of the Fund aimed at ameliorating the facilities it offers to LICs. Malta has in the past always supported the Fund's efforts to help low-income countries, and earlier this year it gave its assurance to commit its share of SDR0.3 million for such purposes.

We also continue to favour a further strengthening of the Fund's surveillance mandate to make this more effective. Indeed, the recent crisis has confirmed its continued importance and the need for the Fund to adopt an even handed approach. I am pleased to note that significant progress has been made in strengthening IMF surveillance, as outlined in the 2011 Triennial Surveillance Review (TSR). Critically the Review highlights the need to modernize the legal framework for surveillance. It is therefore encouraging to note that the Fund's recent Integrated Surveillance Decision on bilateral and multilateral surveillance responds positively to the findings of the TSR and provides important feedback on enhancing the existing legal framework of IMF surveillance. On the monitoring of surveillance of external imbalances, we note with satisfaction that the Fund's Pilot External Sector Report presents a broad and multilateral consistent analysis of the external sector for the world's largest economies. Furthermore we are pleased to observe that the Fund's recently adopted Financial Surveillance Strategy proposes concrete and prioritized steps to further strengthen financial surveillance. These actions will surely enable the Fund to be in a stronger position to monitor and address the possible effects of spillovers from members' policies on global stability.

It has also been a very challenging year for the Fund's sister institution, the World Bank. The Bank has had to face daunting tasks in various parts of the world especially in the Middle East and North Africa where historic change is taking place. Meanwhile economic conditions in emerging markets and LICs in particular continue to be undermined by high and volatile food and fuel prices, and rising inflation. Against this background, it is therefore encouraging to note that the World Bank Group has committed US\$52.6 billion in loans, grants, equity

investments, and guarantees to help promote economic growth, overcome poverty, and promote economic enterprises in developing countries.

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