



# 2014

ANNUAL MEETINGS

International Monetary Fund  
World Bank Group

Washington, D.C.

Governor's Statement No. 21

---

October 10, 2014

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



## **MALTA**

**Statement by the Hon. EDWARD SCICLUNA, Minister for Finance**

**at the Joint Annual Meetings of the International Monetary Fund and the  
World Bank**

**10-12 October 2014**

It is an honour and a pleasure for me to address the Annual Meetings of the International Monetary Fund and the World Bank. I take this opportunity to thank both institutions and the US Authorities for their hospitality and excellent organization of these meetings.

Global developments since last year's meetings have been characterised by a still moderate and uneven pace of economic recovery, as evidenced by the lower than expected rate of growth registered during the first half of 2014.

There is no doubt that, against this background of uncertainty, many of the advanced economies must continue to make every effort to raise their actual and potential growth levels. Robust demand growth, particularly in the euro area, has not yet emerged despite expansionary monetary policies and some easing in the fiscal stance. It is imperative, that both monetary and fiscal policies remain sufficiently accommodative to support both recovery and economic growth.

While it is clearly recognised that the implementation of structural and financial sector reforms will contribute positively to the raising of potential output in advanced countries, the latter should also strengthen their efforts to stimulate demand through higher levels of investment in public infrastructures that will lay the foundation for more sustainable long term growth.

In emerging market economies, on the other hand, the heterogeneity of such economies requires the adaptation of macroeconomic policies and structural reforms in order to support growth and ensure its sustainability.

The IMF has an important role to play in supporting the normalisation of global financial conditions and, in this regard, it is essential that the Fund continues to have the necessary resources in order to carry out its mandate.

To this effect, Malta welcomes the recent finalisation and extension of borrowing agreements to increase the temporary resources of the IMF under the 2012 commitments. Malta has in fact responded positively to the one-year extension of its 2012 bilateral loan arrangement with the Fund.

The IMF's credibility and effectiveness also depends on a robust governance framework that is perceived to be fair and inclusive. In this regard, the swift implementation of the 2010 reforms is crucial to the Fund's legitimacy and credibility.

Thus it is encouraging to note that all EU Member States, as well as a large number of other countries, have already ratified the reforms and we encourage all remaining countries that have not completed their ratification process to do so without further delay.

Recent experience has demonstrated the importance of the Fund's prominent role in crisis prevention and resolution. It is vital, therefore, to strengthen the IMF's bilateral and multilateral surveillance framework in order to enable it to effectively promote the stability of the international monetary system in addition to its other important goal of promoting sustainable global economic growth. The adoption of the Integrated Surveillance Decision and the Financial Surveillance Strategy in 2012 were two key milestones in this regard.

While fully supporting the efforts aimed at strengthening IMF surveillance as the primary tool of the Fund in the area of crisis prevention, we certainly adhere to the view that recommendations contained in the Financial Sector Assessment Programme should be better integrated into Article IV reports. Furthermore we view in a positive light the process of combining bilateral and multilateral surveillance exercises and giving more importance to the analysis of risks and spillover effects. With regard to structural reforms, while we agree that the Fund should play an active advisory role, this should be clearly defined.

The importance of an efficient lending framework with appropriate conditionality and risk mitigation measures is essential to complement the

Fund's surveillance activities and to ensure effective crisis prevention and resolution. We therefore welcome the review of the Flexible Credit Line (FCL), the Precautionary and Liquidity Line (PLL) and the Rapid Financing Instrument (RFI) aimed at improving the transparency and predictability of qualification of such facilities.

There is no doubt that the Fund continues to play a crucial role in providing concessional loans to the world's poorest countries. We also commend the Fund for its constant efforts to provide effective support to low income countries that are highly vulnerable and significantly exposed to global shocks.

In focusing on the World Bank's role in the development process we note with satisfaction the emphasis placed by the Bank on measuring more effectively whether its operations in client countries are successful. This initiative certainly contributes to the transparency of the institution and helps it attain its other major aims of reducing bureaucracy and delivering better services to these countries. In this regard, we are pleased to observe that the Bank is tracking through its website the progress it achieves on the twelve targets that it launched about a year ago to reflect its priorities with regard to development impact and its two overarching goals namely, to end extreme poverty by 2030, and boost shared prosperity for the bottom forty per cent of the population in the developing world. These goals are supported by the Bank's financial commitments of 61 billion US dollars in loans, grants, equity investments,

guarantees and advisory services to help promote economic growth and fight extreme poverty in developing countries.

Interconnectedness, both at a global and regional level, implies a greater need for enhanced cooperation, surveillance and technical and financial support among countries and international financial institutions. Both the IMF and the World Bank need to continue working in close partnership with national governments to build capabilities to manage global shocks, reduce risk, and raise development financing.

I conclude therefore by re-affirming Malta's support for the active role being played by the Fund and the Bank in responding effectively to the diverse economic and financial challenges encountered by their members in this post-crisis but still uncertain global environment.