WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

INTERNATIONAL MONETARY FUND

J

Press Release No. 22

October 6-7, 2009

Statement by the Hon. **DAVID A. PULLICINO,**
Governor of the Fund for **MALTA,**
at the Joint Annual Discussion

Statement by the Hon. David A. Pullicino,
Governor of the Fund for Malta,
at the Joint Annual Discussion

It is an honour for me to address the Annual Meetings of the International Monetary Fund and the World Bank that are being held in this beautiful city of Istanbul. On behalf of the Maltese delegation I wish to thank the Turkish Authorities for their generous hospitality and the excellent arrangements they have made for these meetings.

I also take this opportunity to welcome Kosovo as a member of the IMF and World Bank Group, and Mexico as a member of the Multilateral Investment Guarantee Agency.

This year's meetings take place amid tentative signs of stabilisation in economic and financial conditions. The recent improvement in economic and financial market indicators partly reflects the unprecedented macroeconomic and financial support measures implemented by national authorities across the globe. The IMF has also responded appropriately to the intensification of the global economic and financial crisis, in particular in terms of mobilising new resources available for lending to countries hit by the crisis and rendering their lending instruments more fitting to systemic crises and the special circumstances of low-income countries.

We welcome global efforts to increase the resources available to relieve countries from the immediate effects of the crisis, and note with satisfaction the progress that has been made in terms of implementing the financial pledges made since Spring 2009. However, it has to be acknowledged that beyond the pledges and contributions of the major economies, a truly global burden sharing has not been achieved. Malta, on its part, is willing to contribute to strengthening the IMF's financial resources even though it is itself limited in what it is able to contribute. The Maltese Authorities have approved a new contribution to the newly established Poverty Reduction and Growth Trust and are in the process of negotiating with the Fund the terms of a bilateral loan agreement. In addition the Central Bank of Malta has expressed its willingness to participate in voluntary SDR trading arrangements under certain conditions.

The recent General Allocation of SDRs should supplement existing reserve assets and provide an additional source of liquidity to countries reliant on external finance. This notwithstanding it is necessary to highlight the fact that there are implications, in terms of monetary and exchange rate conditions, reform incentives and debt sustainability in the use of allocated SDRs. We thus encourage the IMF to closely monitor their effects and to leave open the possibility of a partial cancellation if warranted by developments in the global economic outlook and availability of reserves.

While the IMF is better equipped than it was months ago to respond to difficult situations such as those experienced in recent months, its credibility 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.

In this regard, we take note of the work that has already taken place in the area of IMF governance reforms, including that in relation to the fourteenth quota review. We consider that these efforts stand a greater chance of delivering the expected changes if the different streams continue to work in parallel. Thus with regard to last year's IMF quota and voice reform specifically, this would appear to offer a good basis for future work. In this regard we support use of the current quota formula which ensures equal treatment of all IMF member States.

On the other aspects of governance reforms, and in particular the proposals concerning the composition and role of the Executive Board, it is arguable whether a smaller Board would function better than one of 24. While there might be merits in reviewing the role of the Executive Board to render it more efficient, its authority should not be diluted. The Executive Board should remain closely engaged in matters falling within its competence in terms of the Articles of Agreement, and in decisions of operational and strategic importance. Its relationship with the other decision making bodies and consultative organs within the Fund should be clarified.

We also look forward to the advancement of the ongoing reform within the World Bank. In both cases, we expect that the reform will be inclusive, and based on transparent and objective criteria. This also applies to the selection of the senior officials and staff of the two institutions.

The crisis has highlighted numerous vulnerabilities in the regulatory and supervisory framework in the financial sector, as well as, weaknesses in the accounting and statistical frameworks, the pre-emptive assessment of risks to systemic stability, and the co-ordination of macroeconomic policies. The IMF has been at the fore in terms of drawing the lessons from the crisis and co-operating with other international organisations and standard setters to avoid a recurrence of past excesses and slippages. It can in particular be commended for its efforts to enhance early warning capacities in co-operation with the Financial Stability Board, to fill the identified data gaps and to better integrate its macro and financial analyses. There is probably scope for further work in this sense, but the success of these measures ultimately also requires the full co-operation of members in terms of their readiness to be evaluated and in terms of transparency. Malta stands ready to continue to fulfil its responsibilities in this sense.

I wish to conclude by assuring the management and staff of the Fund and the Bank of our continued support as these two important institutions restructure and reorganise themselves to respond effectively to the challenges of the new economic and financial landscape.