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

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Governor of the Fund for Malta

For the first time in three years, I have the honour of addressing the Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG) in person. I must therefore start by thanking both institutions as well as the U.S. Government for their hospitality and hard work in enabling a return to this physical format, which I am certain is much appreciated by all.

The 2022 Annual Meetings coincide with a period of significant economic turmoil. One crisis has transitioned into several, as the vacuum left by the retreat of the COVID-19 pandemic has instantly been filled by the war in Ukraine, surging inflation and negative trade spillovers. This is reflected in the projections of the latest World Economic Outlook (WEO), which now display a downward revision from those made earlier this year.

I concur with the Fund that the rapid and persistent rise in inflation which has occurred since last year currently represents the severest risk to the global economy. Fuelled by both demand-pull and cost-push factors, of deep concern is the extent to which food and energy prices have soared, leaving households facing difficult consumption choices at a time when many might have otherwise been hoping for improvement in the wake of the pandemic. Especially worrying are the indications that inflation is set to be highest in low-income countries (LICs), where household expenditure on food makes up a higher proportion than is the case for other nations. Unless swift measures are taken in the near-term, we may witness the birth of fresh humanitarian crises in regions where the pandemic has already driven tens of millions of people back into extreme poverty and wiped out decades' worth of progress. The Fund's latest initiative, that of the Food Shop Window, represents another positive step towards material help for these countries.

From a central banking perspective, navigating a way out of this situation will require maintaining a focused and flexible approach. The need to rein in inflation has initially resulted in a path towards normalisation of monetary policy in several major economies – including the euro area – and consequently successive increases in key policy rates. Going forward in this uncertain environment, it will be important to remain resolute and continue to carry out rapid and decisive monetary policy action to prevent the emergence of either a de-anchoring of inflation expectations or a wage-price spiral.

It is likewise essential that complementary monetary and fiscal policy stances are adopted by authorities, which possesses its own set of difficulties. As with its counterpart, fiscal policy will have to carry out a balancing act between supplying sufficient protection to the most vulnerable members of society while, in many economies, being constrained by limited fiscal space. Conversely, an excessively expansionary fiscal approach would further stoke price pressures, counteracting a tightening of the monetary policy stance. Nonetheless, I have no doubt that through their respective functions, both the Fund and the Bank will continue to provide policy advice as well as other help as needed by their members.

Alongside very high inflation, we are witnessing the events currently unfolding in Ukraine. On behalf of Malta, I extend my greatest sympathy and solidarity to the Ukrainian people and all others who have suffered in any way from this tragedy. We remain united with our fellow EU member states and others in the international community in condemning Russia's unprovoked war of aggression and expressing our support for Ukraine.

The most recent estimates by the World Bank show that the cost of reconstruction in Ukraine can be expected to exceed US\$350 billion – a burden that Ukraine cannot possibly be expected to shoulder alone. To this end I applaud the Bank's cumulative commitment of

US\$13 billion to Ukraine, as well as the IMF's own emergency financing support which complements its pre-war arrangements.

Even as fresh challenges emerge, I must take a moment to extend my heartfelt thanks to both the IMF and the WBG for the unstinting commitment displayed towards their membership during the COVID-19 pandemic. Whether in terms of scale, scope or rapidity, the aid provided has been truly unprecedented and formed a crucial factor in mitigating the worst effects of the pandemic. Sincere congratulations are due to all those involved in both institutions, as well as all other stakeholders, for enabling these processes.

Complete success, however, remains to be attained. While the fact that 70% of the global population have received at least one vaccine dose is undeniably a positive achievement, it must be tempered by the knowledge concerning the sharp distributional disparity that prevails across countries and regions. Many nations in sub-Saharan Africa and other low-income countries around the world continue to lag in the distribution of vaccines, giving rise to the twin dangers of humanitarian catastrophe and an even deeper economic divide.

A failure to tackle the COVID-19 virus wherever it remains prevalent also opens the door for new strains and variants, against which current vaccines may offer little protection. As the past two years have amply demonstrated, viruses pay little heed to country borders. Therefore, while acknowledging the sterling contribution – and the cost – of the efforts carried out by the IMF, WBG and others thus far, this last step is one which needs to be taken. To this end, I am glad to state that Malta has thus far donated COVID-19 vaccines and testing kits to several countries.

In such times, it is understandably difficult to look beyond anything except resolving the most immediate of crises. Yet however daunting the near-term may appear, longer-term objectives cannot be forsaken. Prominently featuring an array of diverse natural disasters, 2022 is the latest in an unbroken line of recent years which continue to hammer home the overwhelming need to take concrete action in the fight against climate change. Complementing the events taking place before our eyes are fresh reports on the long-term consequences of climate change, growing more dire over time.

Only one credible set of conclusions can be drawn: a coordinated, global action at a previously unseen level needs to be embarked upon at the earliest to avert the worst outcomes of climate change. I am therefore glad to note that both the Bank and the Fund continue to acknowledge the importance of this issue through their various fundraising and lending activities, as well as ramping up their efforts through the launch of the Climate Change Action Plan 2021-2025 by the WBG and the more systematic integration of climate change into the IMF's surveillance activities.

With the Fund's new Resilience and Sustainability Trust set to play a vital role in both pandemic preparedness as well as combatting climate change, I am pleased to announce that Malta has pledged to contribute towards the trust.

In conclusion, on behalf of Malta I would like to reiterate our support for both the Fund and the Bank as they seek to fulfil their respective mandates in this highly uncertain global economic environment.