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Statement by the Hon. **PATRICK HONOHAN**,  
Alternate Governor of the Fund for **IRELAND**



**Statement by Mr. Patrick Honohan,**  
Alternate Governor of the Fund for Ireland

I welcome the opportunity to make this statement to the IMF-World Bank Annual Meetings on behalf of the Government of Ireland.

During the past year, both developed and developing countries continued to face challenges arising from the global financial crisis. Against this background, the IMF and World Bank remained central to efforts to respond to the challenges and promote policies conducive to financial stability, economic recovery, renewed growth and employment. At the same time, both institutions have been pursuing governance reforms so that their structures and processes may better reflect the modern world. Ireland fully supports the reform process.

The challenges facing the global economy underline more than ever the need for coherent global action and the commitment to developing integrated policy approaches on the part of the IMF, the World Bank and other international financial institutions. The Annual Meetings are timely given the range of important policy issues reflected in the flagship publications of the IMF and World Bank. The meetings provide an invaluable opportunity for an exchange of views on critical issues for the global economy and for the Fund and Bank membership.

**Irish Economic Developments**

I would like to provide a brief update on developments in the Irish economy. Having returned to GDP growth in 2011, Ireland achieved a second successive year of growth in 2012. This year the Irish economy shows signs of stabilising with a welcome return to employment growth. Underlying economic activity has had a positive tone with GDP likely to return a third year of positive growth despite some one-off factors and in particular a significant structural change in the pharmaceutical sector (the well-known patent cliff) which has a large weight in Irish exports, but a much smaller net impact on national income. Service exports, in contrast, have continued to show robust growth which reflects important competitiveness gains and the continuing attractiveness of Ireland for foreign direct investment. With this growth set to dominate in the second half of the year, GDP is expected to expand modestly in 2013.

The position for Irish economic performance in 2014 looks brighter. Growth in employment is set to continue and is set to contribute an increase in domestic demand for the year as a whole. Healthy growth in trading partners is likely to see exports return to modest growth, with the drag from the patent cliff weakening.

As is typical in small open economies such as Ireland, developments in the traded sector are of the utmost importance. Hence, international developments and their assessment, for instance by the IMF in the World Economic Outlook (WEO) which was published earlier this week, carry particular significance for Ireland. We are encouraged by the fact that the WEO expects global activity to strengthen moderately, with the impulse projected to come from advanced economies where activity is strengthening.

On the domestic front, high-frequency indicators such as property prices and confidence indices are encouraging and reinforce the view that the economy is stabilising. Unemployment has fallen on an annual basis for four consecutive quarters. The unemployment rate stood at 13.3 per cent on a seasonally adjusted basis in September 2013, down from the peak of 15.1 percent in February 2012. While this is still unacceptably high, it is certainly moving in the right direction.

In relation to the public finances, the Irish Government has displayed continuing commitment to pursuing the necessary fiscal consolidation. The robust performance of tax revenues in 2012 has continued this year with tax receipts to end- September 2013 up almost 3 per cent year-on-year. Significant reductions continue to be achieved in the Exchequer deficit. The forthcoming Budget will continue the necessary work of stabilising the public finances and the Government will target a deficit of lower than 5.1% of GDP.

Ireland's EU-IMF Programme of Financial Support runs to the end of this year. The Irish Government's focus has now turned firmly to achieving a successful and durable exit from the programme and a full and sustainable return to the financial markets. Its strong implementation record has been recognized by external partners and by the financial markets. The highly successful sale of long term bonds by the NTMA earlier this year is another very significant step towards regaining full market access.

### **Irish Banking Developments**

We are continuing to address the remaining issues in the financial sector to ensure that it is well placed to service the real economy as it recovers. A very robust architecture, both structural and operational, has been put in place to deal with the problem of mortgage arrears. Irish banks are undergoing an in-depth assessment of their balance sheets which will leave them well prepared for entry into the new European regulatory structure, expected to be in place next year.

The €7.5 billion raised by the NTMA, Ireland's debt manager, from two syndicated bond sales in the first quarter of 2013 – both of which attracted strong international interest and were heavily oversubscribed – confirmed Ireland's ability to access long-term market funding on sustainable terms. The funding achieved to date in 2013 together with the funds available under the EU/IMF programme means that Ireland will have more than 12 months advance-funding in place at the end of 2013. Increased international investor confidence in Ireland has been reflected in the steep falls in Irish Government bond yields from their peak in the middle of 2011. Ireland's continued success in meeting fiscal

targets is a key domestic factor in this while, externally, a number of supportive developments at a European level have also had a very significant impact. Ireland, like other small open economies, remains vulnerable to international developments. However, Irish government bond yields remain at historically low levels and this has been aided by developments which have significantly reduced Ireland's refinancing needs in the coming years.

### **EU Presidency**

Ireland held what was generally regarded as a very successful Presidency of the European Union in the first half of 2013. Promoting growth, restoring the EU's competitiveness and increasing employment were the main themes of the Irish Presidency. Ireland worked in partnership with the European Commission, the European Parliament and with the other Member States of the European Union to achieve the goals of the Presidency.

Ireland contributed significantly to advancing agreement on the structure of banking union and thereby securing a strong and stable banking system to underpin job creation and sustainable economic growth in Europe. In this regard, the Presidency secured agreement on key Banking Union measures such as the Single Supervisory Framework (SSM), the Bank Resolution and Recovery (BRR) Directive and the Capital Requirements Directive (CRD).

The Presidency also secured agreement and adoption of the "Two Pack" which represent the final set of European economic governance measures. On the taxation side, the Presidency engaged on a significant taxation agenda including agreement to open discussions on the Financial Transactions Tax and achieved agreement on a set of anti-fraud measures.

In parallel with its legislative programme for economic stability, the Irish Presidency worked on a complementary agenda on jobs and growth. A central priority was agreement on the Multiannual Financial Framework (MFF), Europe's budget for 2014-2020. The Irish Presidency reached a political agreement with the European Parliament and the European Commission on this new MFF which unlocks €960 billion of investment in jobs and growth. The European Parliament has yet to give its formal assent to the agreement as it decided in September to defer its vote until October.

During the EU Presidency, Ireland secured agreements or provisional agreement on key measures and programmes to further promote jobs and growth. These include the Youth Guarantee, underpinned by the new €6 billion fund focused on youth employment, the 'Horizon 2020' programme of research and innovation grants and the 'Erasmus Plus Programme' to support learning and education exchanges. The Presidency also focused on SMEs through securing agreement on a €2 billion 'COSME' support programme, improved access to public procurement with agreement on the Public Procurement Package, in addition to cutting red tape with simpler and less bureaucratic administrative and customs procedures.

These achievements reflect the overarching themes of the Irish Presidency of Stability, Jobs and Growth.

### **IMF issues**

Turning to matters related specifically to these meetings, we welcome the continued work on reforms by the IMF since the onset of the financial crisis – the strengthening of its program and surveillance toolkit; enhancement of the global safety net and the advancing of important governance changes. At this juncture, the Fund has an important role in supporting the normalisation of global financial conditions and encouraging the completion of reforms to the international financial system. In the context of a world which is increasingly interconnected, the Fund is making an important contribution to coherent policy frameworks and concerted action to mitigate spillovers and stability risks, and underpin growth and job creation. In its surveillance activity, I note that the Fund continues to refine its analysis to seek solutions which are employment and growth friendly. A lot of important work has been done to provide for a better integration of bilateral, regional and multilateral surveillance. Ireland supports this work together with the intention of the IMF to continually strengthen its financial surveillance focus, while respecting the mandate of other bodies. Ireland and all other EU member states have played their part in ensuring that the Governance and Quota reforms agreed in 2010 can be implemented as soon as possible. It is clear that progress on governance and quota reforms is important to the Fund's financial strength and credibility and we look forward to constructive engagement by the IMF membership with a view to completion of the 15<sup>th</sup> General Review of Quota by the agreed target date of January 2014. Given the IMF's mandate and particularly its increasing focus on spillovers and interconnectedness, Ireland continues to see a strong role for openness in the quota formula.

### **Development Issues**

In the development area, Ireland's EU Presidency placed a strong emphasis on international development, the fight against poverty and hunger, and the promotion of peace, respect for human rights and justice, reflecting the core values on which the European Union was built. The Presidency focused in particular on development of the "post-2015" agenda; highlighting the linkages between the issues of hunger, nutrition and climate change; and forging stronger links between emergency humanitarian relief and long term development aid. Considerable progress was made in all these policy areas.

In May 2013, Ireland published a new policy for international development "One World, One Future", which presents a clear direction for Ireland's development programme in the years ahead and sets out three new goals: reduced hunger and stronger resilience; sustainable development and inclusive economic growth; and finally better governance, human rights and accountability.

In 2012, Ireland contributed 0.47% of GNP to Overseas Development Assistance. I would like to restate the Government's commitment to achieving the UN target of providing 0.7% of GNP for ODA when economic circumstances permit.

### **World Bank Issues**

Turning to World Bank issues, Ireland welcomes the World Bank's continued focus on job creation, following on from last year's World Development Report (WDR) on this important issue. Job creation has the potential to drive growth, reduce inequality and provide opportunities for people to make better futures for themselves, their families and their communities. We support the World Bank Group in ensuring that this key issue remains a high priority.

Ireland welcomes the World Bank's drive to become 'One World Bank Group' and a 'solutions Bank' as a coordinated and joint approach is necessary to deliver comprehensive development solutions to client countries. This repositioning will require collaboration, information-sharing and a common understanding of the comparative strengths of the individual institutions of the World Bank Group. A similar approach with regard to external partners will help ensure that maximum impact can be leveraged from the activities of all development partners.

The challenges of boosting prosperity and eradicating poverty are significant. However with a clear strategy and the ambition to have a transformational impact, a focused World Bank Group can make real and sustainable progress in achieving its goals. From Ireland's perspective, and with a view to maximising development impact, we would encourage the World Bank Group to maintain a strong focus on the key areas of job creation, gender equality, and environmental sustainability, while continuing its commitment to good governance, anti-corruption and crisis response activities.

### **Conclusion**

The evolving challenges facing the global economy underline more than ever the pivotal role of institutions such as the IMF and the World Bank. Ireland will continue to work to help ensure that both institutions are well placed to respond to ongoing and emerging challenges in the most effective way.