



2014

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Opening Address by the Chairman of the Boards of Governors
the Hon. **PATRICK PRUAITCH**,
Governor of the IMF and the World Bank Group for **PAPUA NEW GUINEA**,
at the Joint Annual Discussion

2014 Annual Meetings
Address by the
Chairman of the Boards of Governors,
Honorable Patrick Pruaitch,
Governor of Papua New Guinea

Managing Director of the International Monetary Fund, Christine Lagarde, World Bank Group President, Jim Yong Kim, and Fellow Governors.

Welcome and introduction

Welcome to the 2014 Annual Meetings, the 68th Plenary, of the Boards of Governors of the International Monetary Fund and World Bank Group. I bring you greetings from Prime Minister Peter O'Neill and the 7.2 million people of my country, Papua New Guinea.

It is an honour for me personally and for Papua New Guinea to chair this most prestigious meeting. IMF membership has grown by about a third to 188 nations since PNG became a member in October 1975 and it says much that a relatively small nation like ours, from the South Pacific, has been accorded this privilege.

I look forward to addresses by Madam Lagarde and President Kim on the current world economic situation.

Much that is represented here in Washington comes from established western traditions and customs quite different from the ancient pathways of earlier civilisations in our corner of the globe.

It is not widely known that 7000 years ago, the Kuk Agricultural Sites, in the Highlands Region of my country, cultivated the propagation of bananas, yam and taro. This site is now World Heritage listed. Papua New Guinea, as does every other country, takes pride in its traditions, customs and culture. PNG today still boasts around 820 living languages. These constitute about one third of the world's languages.

Less than five years ago, elementary schools in PNG taught students in more than 200 different languages. Recently, for more cultural cohesion and rapid social and economic change, the present PNG Government has opted to use English in all schools, as was the case immediately prior to and after independence on 16 September 1975. While being part of our rich cultural heritage, having many languages can hinder communication and make it difficult to cope with the pace of change set by technology.

I ask your indulgence today as I share with you the perspectives of a small country such as ours on the challenges confronting the global economy at this time, in line with the nurturing roles of the IMF and the World Bank Group.

Global Economic Outlook

After many turbulent years, the global economy is slowly beginning to recover. Advanced economies are showing some signs of strengthening, while emerging markets and developing economies are expected to continue growing, though at a slower pace than before.

My fellow Governors, despite policymakers' concerted efforts to revive global growth, the recovery remains fragile and downside risks are on the rise.

After three decades of low growth, the commodities boom brought PNG a significant increase in government revenue. After 13 years of successive GDP increases, PNG continues to face the challenge of lifting the bulk of its population, who live as subsistence farmers, into the modern era that is shaping our landscape and destiny.

The fragility of the ongoing recovery demonstrates the importance of having strong supply side policies to facilitate sustainable growth. Over the past three decades, public capital stocks as a share of GDP have been falling in both advanced and developing countries. Public investment in many advanced economies took a hard hit during the recent crisis. In developing economies, a pickup in public investment in recent years helped arrest the decline in the public capital stock—but has not been sufficient to increase it. To continue enhancing economic growth and poverty reduction, we need to support investment through reforms that improve the business environment, which is critical to fostering private-sector led growth.

Role of IFI's

The current global scenario only points to the increasing importance and significance of the International Monetary Fund and the World Bank Group in ensuring economic and fiscal stability and in enhancing the basis for improved international cooperation for systemic growth of international monetary, financial and trading networks.

The World Bank Group and the Fund hold special positions as trusted advisors to us all.

Inclusive Growth

Fellow Governors, creating balanced and inclusive growth is equally important, but translating growth into tangible benefits remains a great challenge. With rising levels of inequality in many parts of the world, many people are still out of work worldwide and policymakers need to do more to support more equitable distribution of the gains from growth by undertaking necessary reforms and job creation.

The Fund and the World Bank Group need to reinvigorate their engagements with low- and middle-income countries to help them alleviate poverty and income inequality. In recent years, the IMF has taken active steps to support its poorest members; it has reformed its policies toward low-income countries through a new architecture of concessional facilities that is more flexible and tailored to country circumstances, placing much more emphasis on safeguarding social spending.

Since our last Annual Meeting, a self-sustained **Poverty Reduction and Growth Trust** has been set up, which will allow an average annual lending capacity of SDR 1 ½ billion or the equivalent of US\$2.3 billion. Also, since 2009, the IMF has had in place a temporary waiver of all interest payments on PRGT loans, aimed at supporting low income countries in the difficult environment created by the global crisis.

The World Bank Group's strategy and reform process position the institution well to support countries in meeting their development goals.

In December, developed and developing countries pledged a record US\$52 billion in financing to accelerate the fight to end extreme poverty by supporting the World Bank's fund for the poorest through the International Development Association (IDA) and, more recently, has supported the creation of a **Global Infrastructure Facility**.

Significant progress has also been made to deliver on the ambitious Sustainable Development Goals that will be introduced in the post-2015 agenda to encourage every country to eradicate poverty, promote sustainability, and protect the natural resource base.

Addressing other risks (Climate change & Ebola)

Fellow Governors, tackling climate change remains one of the foremost policy challenges. We are particularly aware of its damaging environmental and economic effects in Papua New Guinea with some claims that our country has had the first "climate change refugees" from the remote Cataret islands near Bougainville.

The IMF continues to emphasize the macroeconomic implications and the importance of getting energy prices right, most recently through release of a "toolkit" to help members ensure that they are pricing energy responsibly.

That can be extremely challenging and important for a country like PNG where almost 90% of households do not have electricity and is certainly part of a poverty trap. The IMF "toolkit" is able to help users with a practical methodology to quantify environmental damage and to better assess the benefits of policy reform.

The World Bank Group has increased its support for disaster and climate resilient development in **Small Island Developing States** from US\$145 million a year to about US\$190 million. The initiative will serve the unique needs of small islands with tailored

technical expertise and funding to build resilience and deal with the impacts of climate change.

I am also pleased to hear that the IMF and World Bank Group are acting swiftly to respond to the unprecedented emergency stemming from the Ebola crisis in Liberia, Sierra Leone and Guinea. The IMF has approved US\$130 million in emergency financial assistance for balance of payment needs and budget support in these three hardest-hit countries. This is on top of existing programs and is being made available immediately.

The World Bank Group is also mobilizing a US\$400 million financing package to help contain the spread of infections, assist communities in coping with the economic impact, and improve public health programs.

Conclusion

Fellow Governors, recent global economic developments have shown that conditions evolve rapidly with new risks emerging continuously.

I am confident that Madame Lagarde and President Kim will continue to provide the right global leadership needed in ever-changing global economic conditions.

Thank you.