2012 TOKYO ANNUAL MEETINGS
INTERNATIONAL MONETARY FUND
WORLD BANK GROUP

Governor's Statement No. 27

October 12, 2012

Statement by the Hon. **MICHAEL NOONAN, T.D.,**
Governor of the Fund and the Bank for **IRELAND**

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

Both developed and developing countries alike continue to face great challenges. Indeed the past year has again shown the interconnectedness of developments and policy decisions at the national and international levels. In this regard, we continue to be heartened by the comprehensive and integrated nature of the responses being developed by the IMF, the World Bank and other international financial institutions to respond to shocks including major market fluctuations. Our meetings here in Tokyo and the exchange of views regarding critical issues for the global economy are very important in enriching understanding and collaboration on policies to promote the conditions for recovery and economic growth.

EU Presidency

Ireland looks forward to our Presidency of the European Union in the first half of 2013. Promoting growth, restoring the EU's competiveness and increasing employment are the main themes of the Irish Presidency. We will work with the European Commission and the European Parliament, other institutions and with the other Member States of the European Union to address the diverse range of agendas and dossiers that form part of the work of the ECOFIN Council. Clearly there will be work to do in advancing further discussions on economic and monetary union arising from the conclusions of the June 2012 European Council. We will also be progressing the European Semester process, designed to strengthen surveillance of national budgets, with a view to bringing this process to a successful conclusion at the European Council in June 2013. Ireland will prepare the early stages of the discussions on the EU Budget, this process being completed during the latter part of 2013 by the Lithuanian Presidency. Work is ongoing on agreeing our taxation and financial services priorities including the debate on banking union. Given its importance to us and to the European Union we are closely following the debate on banking union. We are, of course, awaiting the outcome of the Cypriot Presidency in order to finally determine our taxation and financial services agenda for the first half of 2013.

The Irish Presidency of the Council of the EU comes at an important time in the international development agenda following on from the Rio+20 Conference in June 2012, in advance of the 2013 UN General Assembly Event on the Millennium

Development Goals and in the lead up to the post-2015 development framework. These broader discussions will inform the work of the Council.

In the development area Ireland will have three main priorities:

- Addressing linkages between important thematic development issues including, hunger, nutrition and climate justice;
- Promoting efforts to link relief, recovery and development by forging stronger links between the development and humanitarian agendas of the European Union; and
- Agreeing a common EU position for the 2013 UN General Assembly Event on the Millennium Development Goals and developing a position on the Post-2015 development framework.

Irish Economic Developments

I would like to provide an update on developments in the Irish economy. Last year saw the first full year of economic growth since 2007 and there is broad agreement amongst forecasters that Ireland will experience positive growth again in 2012. As is typical in small open economies such as Ireland's, the traded sector is leading the recovery. 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. Notably, the WEO expresses the IMF's concerns for global growth and confidence, in particular with respect to advanced countries that are grappling with fiscal consolidation, deleveraging, elevated unemployment and the initial strains associated with structural reforms, especially in Europe. Against this background, our continued economic growth looks particularly encouraging, although external developments point to risks going forward.

I welcome the IMF's acknowledgement of the considerable progress made in Europe, both at Member State and euro area levels. The specific emphasis of policy initiatives on breaking the link between sovereign and banks is particularly apt. These include the ECB's announcement of Outright Monetary Transactions that can support countries in arrangements with the ESM. Further, the ESM is operational since October 8 and its resources can now be deployed with a promise of greater efficiency and flexibility. That being said, I also share the Fund's view that making further progress on the European policy front, including on the banking union, is critical to European and global confidence. In light of the subdued global environment, timely delivery is critical. Recent market reactions powerfully underline the IMF's assessment that considerable upside potential exists once individual countries' efforts are suitably supported by concerted common action that enhances the common good.

Ireland's exports continue to drive the economy's growth and their strength owes much to the significant competitiveness gains which have been achieved in recent years and these gains are still ongoing, with the European Commission predicting Irish unit labour costs to improve by around 22 per cent compared to the euro area over the period 2009-2013. As stated above, however, we are mindful of the deterioration in the global environment, where the WEO indicates some continued softness for our main trading markets in 2013. Domestic demand, for its part, remains weak and continues to contract. Households, firms and the government sector are still working off the imbalances built up during the boom, while they are, at present, not fully benefitting from the generally supportive monetary policy environment.

In relation to the public finances, Ireland is moving in the right direction after a number of very difficult years. Ireland recorded an underlying General Government deficit of 9% of GDP in 2011 which is comfortably inside the target as set under the EU/IMF Programme of Financial Support. Developments to date in 2012 point to a further stabilization in the public finances with Exchequer revenues running ahead of profile. Similarly, the EU/IMF Programme Exchequer primary balance target for end-September 2012 was met with a margin as was the Central Government net debt target. All eight cumulative end-quarter Exchequer primary balance and Central Government net debt targets set to date under the Programme have now been met.

Last year, my Department published a 'Medium Term Fiscal Statement' that outlined a consolidation path which would see Ireland reach a 3% deficit by 2015. We plan to publish an update of this document in the coming weeks to provide an assessment of our performance to date and prospects for the coming years.

For 2013, a deficit limit of 7.5% of GDP applies and this is a target to which the Government is absolutely committed. Our latest projections envisage an adjustment of some €3.5 billion or 2.1% of GDP as being necessary to achieve this deficit limit.

Building on the credibility Ireland has regained with its strong performance under the adjustment programme and the commitment of our EU partners in the June 29 summit statement, Ireland has returned to market funding over the summer months, with investors committing, in late July, a total of almost €5¼ billion to longer-dated bonds maturing in 2017 and 2020. This follows a previous bond swap in January as well as the resumption of Treasury bill issuance in early July. These developments mark a very significant step for Ireland on the way to full bond market access and have reduced short to medium term funding requirements significantly.

Irish Banking Developments
Work has continued to stabilise the Irish banking sector throughout 2012. Following the €24 billion recapitalisation of the Irish banking sector last year, significant further balance sheet restructuring has been achieved during 2012 to the extent that some of the targets set for the banks out to 2013 have already been realised.

Some €55 billion of loan deleveraging was completed by the Irish Government guarantee-covered banks from December 2010 to June 2012; the quantum of guaranteed liabilities in the banks had reduced to €87bn at July 2012 from €375bn in September 2008 and the dependence on central bank funding has steadily declined over the last 12 months - back to pre-bailout levels. These developments are against a background of intensive regulatory oversight and a complete renewal of the membership of bank boards.

The very welcome Euro Area summit statement of 29th June represented a major shift in European policy in terms of breaking the vicious circle between the banks and the sovereign. More recently with the announcement of a single EU banking supervision mechanism on the 12th September, the European Commission President has outlined his vision for the banking sector, in which the ECB would be given supervisory powers over all banks in the union. This is an important step in its own right but also in relation to the ESM and its potential to recapitalise banks. Discussion is on-going with our European colleagues to put the equity and debt elements of Irish bank recapitalisation and restructuring on a more sustainable footing and the current discussions remain a key priority for the Government.

The Irish Government believes that we are well on our way towards our goal of creating sustainable banks that can survive and prosper independent of government support with sufficient capital to support economic growth in Ireland.

IMF issues – Turning to matters related specifically to these meetings, we welcome the reforms introduced by the IMF since the start of the financial crisis – it has strengthened its program and surveillance toolkit; enhanced the global safety net and pursued important governance changes. The IMF has a crucial role to play in responding to the financial crisis, both in terms of signposting paths to a stability-oriented recovery and in facilitating the implementation of difficult policy decisions in a timely manner. I note that the Fund continues to refine its analysis to seek solutions which are growth and employment friendly. Recent months have also seen the adoption of a number of important initiatives, which will allow for a better integration of bilateral, regional and multilateral surveillance. Ireland looks forward to the ongoing refinement of the tools used for this purpose, and to further work to take into account the issues for countries within currency unions. The IMF's intention to strengthen its financial surveillance focus, while respecting the mandates of other bodies, is also welcome. As for institutional reform, Ireland has played its part in ensuring that the Governance and Quota reforms agreed in 2010 can be implemented as soon as possible. We look forward to the completion of the current review of the quota formula by January 2013. Given the IMF's mandate and particularly its increasing focus on spill-overs and interconnectedness, Ireland continues to see a strong role for openness in the quota formula.

Development challenges-
Finally, turning to development issues: Ireland remains steadfast in its commitments to international development. Our focus on hunger is a central pillar of Irish foreign policy and of our development assistance programme.

Ireland understands how modern famine affects nations in Africa and elsewhere. Beyond the profound personal consequences of hunger, it drives mass movements of population, it affects economic growth and development and it impacts on regional, and indeed, international stability and prosperity.

The crisis in the Sahel underlines the urgent need for the global community to put huger, food security and nutrition at the centre of our development efforts.

Earlier this year Ireland delivered on our target to direct 20 per cent of the Irish Aid budget towards actions to reduce global hunger. The achievement of this target is a significant milestone and clearly marks Ireland out in global terms as a nation that is committed deeply to the fight against hunger and under-nutrition.

Ireland welcomes the World Bank's continued efforts in this regard through various initiatives, such as the Agriculture Action Plan, and its investments in safety nets and other nutrition sensitive social protection programmes. Ireland is a strong supporter of the 'Scaling-Up Nutrition' (SUN) movement and we have increased our support for interventions that reduce maternal, infant and child under-nutrition.

Ireland sees Africa not just as a recipient of aid but as a partner. We are currently stepping up our engagement with Africa beyond aid. The continent is undergoing significant and rapid change. It is still a region of great social and economic challenges, poverty and hunger, but, at the same time, many African countries are experiencing high economic growth and the continent is now recognised as one of the world's most important emerging economic engines.

Ireland's support to the International Finance Corporation in areas such as investment climate and private sector development in fragile and conflict affected states in Africa is aimed at promoting trade and investment with Africa in ways that stimulate sustainable growth, create jobs and achieve inclusive development.

World Bank Issues

Turning to World Bank issues, as President Kim has pointed out on a number of occasions since taking office, all countries have an interest in creating and sustaining growth, and ensuring that this delivers secure and well paying jobs. In this regard Ireland welcomes this year's World Development Report (WDR) which focuses on the crucial issue of 'Jobs'. The WDR has made a number of insightful recommendations which will be of interest to both developing and developed countries alike. However, as a next step, it will also be important that the Bank incorporates the lessons from the WDR across its own programming. In particular, the International Financial Corporation (IFC) will have an important role to play in relation to the private sector aspects of the report.

Ireland also welcomes the reforms which are taking place across the World Bank Group as a whole. Already significant efforts have been made to make the Bank a more transparent, representative and effective organisation, in order to meet the challenges of boosting prosperity and eradicating poverty.

However, it is now essential that the modernisation drive is supported even further in order to allow the Bank become even more effective in its programming on the ground, but also, in incorporating the lessons from such programming in order to feed into the broader knowledge agenda both for its own work, and the work of others.

Conclusion

The challenges facing the global economy underline more than ever the need for collective global action through institutions such as the IMF and the World Bank. Ireland will continue to work to ensure that both institutions are enabled to respond to ongoing and emerging challenges in the most effective way.