



2012 TOKYO  
ANNUAL MEETINGS  
INTERNATIONAL MONETARY FUND  
WORLD BANK GROUP

Governor's Statement No. 30

October 12, 2012

Statement by the Hon. **BILL ENGLISH**,  
Governor of the Fund and the Bank for **NEW ZEALAND**



**Statement by the Hon. William English,  
Governor of the Fund and the Bank for New Zealand**

In our statement at the 2011 Annual Meetings, we noted the need for policy cooperation in response to severe risks afflicting the global economy. Vulnerabilities arise from several sources, but in broad terms, growth has slowed as advanced economies address public and private sector debt overhangs, external imbalances and banking sector reforms, amidst demographic pressures and deeply concerning levels of unemployment. Progress has been made, including deep and wide ranging economic reform, fiscal consolidation, the creation of the European Stability Mechanism, and steps towards direct ESM bank recapitalization in Europe. Key central banks are playing their role as liquidity providers, acting to reduce negative tail risk and to support financial systems through the adjustment period. We also note additional bilateral loan pledges to the IMF, announced earlier in the year. New Zealand is pleased to have participated in this effort to bolster the IMF's lending capacity.

However, improving competitiveness in deficit countries has largely been a lengthy process, particularly without the full ability of nominal exchange rates to facilitate external rebalance. The pace of balance sheet correction and fiscal consolidation has been hampered by slow growth – itself related to the structural adjustments underway. While structural adjustments will place longer term growth on a firmer footing, shorter term growth forecasts have been repeatedly revised downwards. If overdone, liquidity support could result in further risks.

Emerging economies and the smaller advanced countries outside Europe are generally in somewhat better economic health. Almost inevitably, that has meant some strengthening in their exchange rates. Even when commodity prices are still quite elevated, persistent exchange rate appreciation acts as a drag on investment in the tradables sectors of these economies. This situation has drawn differing policy responses across countries. In New Zealand the effect of exchange rate strength has added impetus to our fiscal consolidation efforts.

Cooperative action remains crucial to securing global recovery. The uncertainties and trade-offs are known to policy makers, who must provide clear and consistent communication of policy directions, reinforced by decisive action. As leaders communicate their vision of the post-crisis global economy, the IMF must play the important role of providing advice to the membership on the implications and consequences of their policy actions, or inaction.

We welcome recent developments at the Fund, including the new Integrated Surveillance decision that supports the IMF's multilateral surveillance, and the broadening of external stability analysis work reflected in the External Sector Report. On the latter, we look forward to further development of the methodology and approach, building on feedback from the pilot report.

We remain strong supporters of reform to quota and governance, and are currently working our way through the necessary domestic processes to ratify the 7<sup>th</sup> Amendment as soon as possible after the Annual Meetings. Quota and governance reform is central to determining the Fund's identity as a representative institution that elicits strong ownership across the broad array of the membership. As such we reiterate that, as a matter unrelated to our full support for the incumbent Managing Director and the World Bank's new President, both organizations would benefit from the removal of any link to nationality in these appointments.

We strongly welcome the Fund's work towards supporting low income countries, and were pleased with the decision to dedicate gold sale profits to the Poverty Reduction and Growth Trust. It is important that the Trust is sustained in a way that enables it to continue assisting those countries most in need. We particularly welcome the plan to review PRGT eligibility, especially with respect to the Fund's microstates, whose governance challenges are disproportionate to their size, and whose difficulties are not adequately captured by simple GDP measurements. We are highly supportive of the Fund's increased focus on small states.

As extraordinary crisis conditions persist, some parts of the Fund's staff will be under prolonged strain. We call on the IMF's Management and Board to address the risks that ongoing crisis conditions may have to a productive and creative workforce.

We warmly welcome Dr. Kim in his role of World Bank President. We are heartened by his commitment to ensuring that this organization remains a relevant, trusted partner for all of our countries. The World Bank Group is a critical player in supporting the aspirations of its members. We encourage the World Bank Group to work collaboratively with development partners and client countries to create a sound enabling environment to support job growth – both through its work on fundamentals such as macroeconomic stability, rule of law, and access to infrastructure, and also through a tailored approach to policy advice and investment prioritization that should be at the heart of the World Bank Group's work.

This time last year we discussed the importance of the *2012 World Development Report on Gender in Development*. We underscore the importance of a continued and unwavering commitment to gender equality – highlighted in our region through a

declaration on gender agreed by Pacific countries at the recent Pacific Islands Forum in the Cook Islands. New Zealand will be targeting women's economic empowerment and entrepreneurs in support of the Declaration.

We would also like to highlight the important work of the World Bank Group and the Government of Japan on the *Sendai Report*. Many countries, including New Zealand, are thankful for the generous and continued support of the international community as we respond to and recover from natural disasters, and prepare ourselves for future risks. New Zealand has recently issued its own extensive report on the response to the Christchurch earthquake which provides valuable lessons from our own experience to ensure our ability to respond to the next emergency is improved. We welcome the integration of disaster risk management into development work, since vulnerability to natural disasters is a key barrier to prosperity for many populations. We view it as critical that a focus on emergency responses is complemented with investment in disaster preparedness and prevention.

For New Zealand, results are about actively improving development outcomes. We simply must ensure that every dollar is well spent, that collaboration, consultation and co-ordination are integral to design and implementation, and that we learn from our successes and failures and share those lessons with others.

While the Bank has made significant progress in its work in small island states – we would like to see more movement in the one-size fits all model. This means that what works in large developing countries is not the same as in small Pacific island states. In this, donors need to be prepared to give the Bank more latitude. In our region for example more Bank flexibility, less bureaucracy and a greater focus on improved implementation are among the keys to ensuring the best development outcomes.

We look forward to working with the Bank and Dr. Kim as we focus on the next steps required to change lives and increase opportunities.

I would like to thank our gracious host, the Government of Japan. The arrangements have been excellent, and Tokyo has provided a stimulating backdrop for these Annual Meetings.