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Governor of the Bank and the Fund for New Zealand
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Risk and uncertainty continues to pervade the global economy, even though the tail-risks that were at the forefront of our minds a year ago in Tokyo have diminished. As a small open economy, New Zealand is highly sensitive to international developments, just as we know many other countries are. We recognize how important it is to have our own house in order, but we also rely on continued efforts globally, both at the country-level and the multilateral level, to work to achieve a more robust global economy.

We welcome the signs of recovery in many advanced economies, but urge these countries' leaders not to become complacent and lose sight of the underlying challenges they continue to face. Pushing ahead with often difficult financial and structural reforms, and setting in place credible medium-term fiscal plans, remains vital in Europe, the US and Japan. Otherwise the opportunity to find a path to a higher growth potential will not be realized.

Emerging economies, many of whom are significant trading partners for New Zealand, have been reminded by markets recently of how susceptible they are to developments in other economies or shifts in perceptions. In a number of these countries a slower - albeit still impressive - rate of growth is positive in that it marks a shift to more sustainable rates of growth, supported by ongoing structural reforms. For other countries, underlying weaknesses in the economy have been exposed by the events in advanced economies and changes in global risk appetite. We know that at some point monetary policy will move towards a more normal stance in many economies. This transition needs to be well communicated to minimize unnecessary financial market volatility. All economies should work to strengthen their macroeconomic fundamentals and buffers to increase their resilience and support medium term growth.

The New Zealand economic outlook is strong. Economic growth is picking up, notwithstanding the high New Zealand dollar and fragile global economy. In New Zealand we are continuing to focus on lifting productivity and getting the macro-fundamentals right by rebuilding our fiscal buffers and maintaining financial stability.

In an interconnected world, we also need international mechanisms for economic cooperation, surveillance, analysis and financial support to be operating effectively to the benefit of us all. We need to ensure that the World Bank Group and the IMF remain relevant in a dynamic and changing world.

In developing countries, the World Bank Group has a pivotal role to play in eliminating extreme poverty and building shared prosperity. We support the Strategy presented at these Annual Meetings and urge the World Bank Group to remain focused on careful implementation of the Strategy over the medium-to-long term. The organizational changes planned will be far-reaching, with long-term gains – for example: better aligning budgets with the strategy; working more effectively across the World Bank Group; human resources reform; and establishing a more sustainable financial base. The challenges of re-orienting the Bank Group and tackling poverty within a lifetime will not be met without commitment and stamina from the Bank's staff, management and its shareholding countries.

At the same time, many of the things that will have most immediate positive impact on clients and communities are practical reforms to the outward-facing business of the Bank Group. Reforming procurement practices, developing a holistic and modern safeguards framework, continuing to implement the Program for Results lending instrument and improving the measurement and monitoring of results can help lift the development outcomes that client countries and communities feel on the ground.

Perhaps the hardest challenge in achieving the goals will be the development of a new World Bank Group culture. Demonstrating efficiency, effectiveness and value-for-money is key, but so is innovation and a healthy attitude towards managing, rather than avoiding, risk. Success in the hardest, most fragile and vulnerable contexts will require flexibility, nimbleness and creativity. Cross-cutting issues such as gender equality and climate change must become central components of economic development work. It is vital that the Bank Group find new ways to leverage the private sector for development, both as an infrastructure financier and as the engine of growth.

At the IMF, we must press on to ensure that governance and shareholding better reflects countries' economic size and situation. We urge those members who have not yet done so to ratify the 2010 reform package, enabling it to come into effect. New Zealand has recently completed our own internal procedures and notified ratification. Furthermore, all of the membership must work constructively to complete the 15th review of quotas and ensure the IMF is appropriately resourced into the future.

The IMF should continue strengthening its focus on crisis prevention and early warning of vulnerabilities. Greater understanding of economic and financial interconnections globally and their implications – through the IMF's work on spillovers (monetary and fiscal), cluster reports, incorporating global interconnections into bilateral Article IV Reports and ensuring multilateral surveillance remains cutting edge and alert to new risks – must continue to be a priority. Progress has been made; more is needed.

Ambitious global goals must also have currency for our smallest and most vulnerable members. We welcome the significant work that has been done in the past year to better understand and address the particular challenges and vulnerabilities in Pacific Island countries, and look forward to the Fund-hosted meeting in Vanuatu to discuss ‘Raising Potential Growth in the Pacific Islands’. The recent introduction of a ‘micro-state’ category in the Fund’s Poverty Reduction and Growth Trust is a valuable contribution. We welcome members’ pledges that bring into effect the second distribution of windfall gold sales profits to the PRGT, which will put it on a more sustainable footing into the future.

New Zealand will continue to advocate for a continued focus on Pacific Island countries in both the Bank Group and the IMF and engagement that is best tailored to the needs of the Pacific. These countries are small, remote, and vulnerable to natural disasters and environmental change. The challenges they face to secure sustainable economic growth and prosperity demand attention.

The IMF and the World Bank Group continue to demonstrate their important contribution globally – identifying and managing risk, strengthening cooperation and pursuing sustainable economic development and poverty elimination to the benefit of all countries. The challenges remain and so must our commitment. We must all work together to ensure the ongoing relevance and enhanced effectiveness of these two vital institutions.