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Statement by the Hon. **JOE HOCKEY**,
Governor of the Bank and the Fund for **AUSTRALIA**

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Governor of the Bank and the Fund for Australia

It is my pleasure to represent Australia at the 2013 IMF and World Bank Annual Meetings as the new Australian Treasurer. These meetings come at an important time for the global economy.

The Annual Meetings of the IMF and World Bank take place at time when there are signs of recovery in advanced countries, while growth is slowing in emerging economies. In major advanced countries, there is a need to continue to implement credible medium-term fiscal plans and continue to press ahead with structural and financial sector reforms.

Recent market developments in some emerging market economies underscore the risks in a highly interconnected global economy. These emerging economies will continue to provide the substantive component of global growth in the coming period. Ahead of the normalization of monetary policy in advanced economies, steps should be taken to bolster macroeconomic frameworks and implement reforms to enhance resilience.

Volatility in the global economy can make economic management challenging. In this context, the IMF has undertaken some very useful analysis of how countries can, over time, improve their resilience to financial shocks. The analysis shows that countries that have relatively more flexible exchange rate regimes, and financial markets that are well regulated and free from distortions, have been better able to adjust to large fluctuations in external capital flows.

From an Australian perspective, this analysis resonates with our experiences. As an open economy with a large resources sector and a freely floating currency that sometimes exhibits large swings, Australia has a long history of living with external volatility.

Australia's resilience and ability to cope with volatility and economic shocks has come off the back of wide-ranging structural reforms undertaken by successive governments.

The current Australian Government is committed to stable, credible and transparent policy settings that will provide business with the confidence to exercise initiative, take appropriate risks and make productive investments that will drive self-sustaining growth.

IMF

Australia places great value in its membership of international financial institutions and supports the valuable role the IMF plays in promoting economic growth and stability. With subdued global growth and volatility in the international monetary system, it is crucial that we have an efficient, well-resourced and effective IMF. In addition, it is crucial that the Fund operates under governance arrangements that reflect changing global dynamics.

Australia has been a strong advocate for quota and governance reform to provide emerging market and developing countries greater voice and representation at the IMF, reflecting their growing share of the world economy. However, we are now at a critical juncture for IMF reform. The *2010 IMF Quota and Governance Reforms* are still to be ratified, and without their full implementation, the IMF is at risk of harming its legitimacy and credibility.

Australia urges the Fund to fully implement the 2010 reforms as soon as possible.

Australia welcomes the IMF's recent work on small states, especially the Pacific Island countries. The recent change to the Fund's Poverty Reduction and Growth Trust, to recognize the plight of microstates, is an important development. Australia also welcomes the IMF's continued engagement with the Pacific Island countries to help them strengthen their economic resilience.

World Bank

I welcome the reform efforts that Dr Jim Yong Kim and his team are undertaking on the strategic direction of the World Bank in pursuit of its mission to end extreme poverty in the world.

Building on the World Bank's goals, the Development Committee has now endorsed the new World Bank Group Strategy.

The core of the Strategy is to better serve the development needs of borrowers by more closely unifying the different aims and operations of the four organisations as one.

In implementing the new strategy, the World Bank must not lose sight of the needs of all its members, particularly fragile and small island states that can be easily overlooked in the global economic and development aggregate statistics.

I also look forward to seeing the World Bank maximizing its development effectiveness and ensuring it reaches its full potential as a force for economic development.

G20

Finally, I note that Australia will take the Presidency of the G20 in December. I have held discussions with the leadership of the Bank and the Fund on the best ways to continue close collaboration on the shared priorities on the G20 agenda and look forward to further successful implementation of our growth goals.

There will be excellent opportunities to strengthen the international economic agenda for sustainable jobs growth through the private sector and to remove the impediments (including tax avoidance) to an even freer flow for global private sector trade, investment and competition. Financing for investment, especially for infrastructure and small-to-medium

enterprises, will be a focus during our host year. Unlocking long-term finance for investment to build modern infrastructure networks is a common global challenge.