



Governor's Statement No. 24

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October 10, 2014

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



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Governor of the Fund and the Bank for New Zealand  
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Modest global growth, clouded with risks, is once again the backdrop for our annual discussions. Robust and resilient growth that provides opportunities for all people to get jobs and improve their incomes and livelihoods remains key for a more secure and prosperous world. Geopolitical and economic risks are intertwined. We must all continue to do our part to achieve a lift in sustainable growth – as individual countries and collectively, through regional mechanisms and our shared global institutions including the World Bank Group and the IMF.

Amongst advanced economies the US and UK are clearly expanding but the Eurozone continues to underperform. Emerging market economies' record of solid growth continues but expectations for potential growth are not as bright as thought a year ago, and a few such as Russia and Brazil clearly face structural challenges. Low income countries continue to perform strongly but must not relent in their efforts to address vulnerabilities. Geopolitical events are having some economic impact but risk becoming more significant, as does the tragic Ebola outbreak in parts of West Africa. In many countries policy space is constrained with record low/zero interest rates in many advanced economies, and public debt generally stabilizing at levels above those seen before the global financial crisis.

Amidst a mixed global picture New Zealand is recording robust growth of over 3% per annum, notwithstanding the high New Zealand dollar. The Reserve Bank of New Zealand has lifted the policy interest rate by 100 basis points to 3.5 percent, ahead of the monetary policy cycle in other advanced economies. We are focused on returning to surplus and rebuilding fiscal buffers with net government debt peaking at 27 percent of GDP. Macroprudential tools are helping to support financial stability. In addition to ensuring sound macro-fundamentals we are also continuing to focus on lifting productivity.

Almost all economies face challenges of how to lift productivity and potential growth without undermining their medium-term fiscal positions, and how to use the resources available most productively to deliver quality services and meet key investment needs. Structural reforms must be part of the solution, although the precise nature will vary across countries. To deliver durable gains reforms must be anchored in realism about what is fundamentally needed to sustainably boost growth and build resilience, and how can this be achieved. Seeking to inform and engage with the public can also help progress reforms, be that in advanced or emerging economies, Arab Countries in Transition, and Low Income Countries.

As a small open economy, New Zealand has a strong vested interest in a prosperous and stable global economy. The IMF's contribution towards this is vital through its roles in surveillance, lending as an

integral part of the international financial safety net, and as a provider of high-quality technical assistance.

To remain relevant and effective, however, the IMF must better reflect its membership. We remain deeply disappointed that the 2010 IMF Quota and Governance Reforms (2010 Reforms) is yet to be ratified. Implementation of the 2010 Reforms remains a necessary step to enhance the Fund's legitimacy, relevance and credibility, and to ensure the Fund has access to sufficient resources. These reforms are only a first step; the 15th General Review of Quotas should continue in the direction of adjusting the shares of members in line with their economic weight. We urge all members yet to do so to ratify the 2010 reforms. We also support the Fund in its diversity initiative.

We welcome the Fund's continued efforts to strengthen bilateral and multilateral surveillance and the interactions between the two, building on the Integrated Surveillance Decision. There is opportunity for the Fund to further leverage its resource through greater sharing of cross-country experience.

In developing countries, the World Bank Group has a pivotal role to play in eliminating extreme poverty and building shared prosperity. We particularly support the focus of this year's Development Committee meeting on the challenge of building shared prosperity. This is an agenda common to all of the Bank's member countries – and it is a particularly pertinent topic as the post-2015 development agenda is being finalized.

Achieving the goal of shared prosperity will require all states to commit to policies that foster a more robust, job-rich recovery. In addition to structural reforms, investments in human capital, in particular through education, are vital. So too is the development of efficient and well-targeted social safety net schemes, which, when effectively implemented, can break down barriers to economic participation and thereby contribute to growth.

We welcome, too, the update provided on the World Bank Group's work in supporting gender equality, which is also an issue the IMF is helping to shed light on. Gender equality is not just a moral imperative but an economic necessity: improving women's workforce participation increases growth rates and contributes to shared prosperity. We encourage the Bank Group to take further steps to support countries to address constraints to gender equality, including those relating to broad-based economic participation. This includes the development of better sources of data and innovative analytical tools to support action on the ground.

The Fund and the World Bank Group can have a substantial impact on small, capacity constrained economies, such as those in the Pacific. We want to see this impact be as meaningful as possible, in collaboration with other development partners, leveraging off each organisation's own comparative advantage.

We commend the Fund's efforts to enhance its understanding of the unique challenges faced by Pacific Island economies – remoteness, smallness, vulnerability to natural disasters – and in tailoring policy advice to their countries. We call on the Fund to continue investing in small Pacific Island countries in support of their economic future - by assigning quality and experienced staff to work with these countries, by providing relevant and practical analysis and advice, and by delivering technical assistance that is fit for purpose in their circumstances.

These issues are relevant to the World Bank Group also. As the Group moves forward with its new organizational structure, we wish to highlight the importance of the Group remaining attuned to the diverse needs of its membership. Global aggregates should not be the only measure of success; the Group will need to keep a focus on small members too. In fact, the Group's capacity to be genuinely transformational is perhaps most evident in small, resource- and capacity-constrained countries. We will continue to closely monitor the Group's responsiveness to the needs of its members, and particularly those of small island states.