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Statement by the Hon. **PATRICK HONOHAN,**
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Statement by Governor Patrick Honohan,

Governor for Ireland of the World Bank Group and International Monetary Fund

Annual Meetings 2015

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

During the past year, both developed and developing countries continued to respond to challenges relating to the aftermath of the global financial crisis while also striving to develop paths towards renewed economic growth and employment.

The past year has again shown the value of coordinated and concerted action by IMF and the World Bank, and their member countries. This has been demonstrated in responses to managing the Ebola crisis in West Africa, with strong and effective actions being taken by both institutions. In addition, there has been close cooperation, again between the both institutions and their members, in strategic policy areas including the Post-2015 development agenda and the financing of this agenda. This demonstrates integrated action and joined-up thinking, and it is important that both institutions continue to work alongside their members and other international financial institutions.

Irish Economic Developments

I would like to take this opportunity to provide a brief update on developments in the Irish economy. The Irish economy is continuing to grow strongly and there are signs that the economic recovery is broadly-based. In the second quarter of 2015, real GDP increased by 1.9 per cent relative to the first quarter, and 6.7 per cent compared with the same quarter in 2014. GDP per capita has now exceeded its pre-crisis peak. Significantly, employment grew by 3.0 per cent year-on-year to the second quarter of 2015, marking an 11th successive quarter of employment growth, and unemployment decreased by 17.0 per cent over the same period.

Domestic demand has made a strong positive contribution to growth in the second quarter with consumer spending and investment both increasing. In addition, strong export growth of 13.6 per cent year-on-year was recorded on the back of continued and sustained competitiveness improvements, and healthy FDI inflows in recent years. This strong performance was well ahead of consensus expectations and follows strong performance in 2014 which saw annual GDP increasing by 5.2 per cent.

Although below our domestic forecasts, we welcome the World Economic Outlook's projection of 4.8 per cent GDP growth in Ireland for 2015. Based on the latest macroeconomic forecasts, GDP is expected to expand by 6.2 per cent in 2015 and by 4.2 per cent in 2016. These forecasts have been revised upwards, significantly, since the forecasts provided with Ireland's Stability Programme Update in April 2015. The forecasts for 2015 and 2016 have also been endorsed by the Irish Fiscal Advisory Council - the independent statutory body established as part of a wider agenda of reform of Ireland's budgetary architecture.

These upward revisions are based on the strong performance of the economy throughout 2015. Domestic demand has stabilised and is showing encouraging signs of growth. Consumer spending is improving as confidence returns, while firms are investing in plant and machinery once again, and SME trading conditions are continuing to improve. These encouraging macroeconomic data are mirrored in the total revenue receipts to end-September 2015 which were 5.8 per cent ahead of target and up 8.7 per cent on the same period in 2014.

Labour market recovery has continued during 2015. Employment has increased in each of the last 11 quarters representing an increase of over 3 per cent since the same point in 2014. This employment growth was almost exclusively driven by increases in full-time employment and was broadly based with gains recorded in almost all sectors of the economy. In line with this, the unemployment rate stood at 9.4 per cent in September, down from a peak of 15.1 per cent in early 2012. While this is still unacceptably high, it is certainly moving in the right direction.

Moving forward, domestic demand will be very important for Ireland's continued growth, and the strong performance of consumer spending and private investment shows encouraging signs of future growth and stability. Due to its relatively small domestic market, Ireland's growth model must be export oriented. Exports are expected to continue to increase in 2016, as demand in Ireland's main export markets, particularly the UK, and as work on opening up further export markets continues to improve.

In relation to the public finances, there are continued encouraging signs that the position is moving in the right direction. Targets to reduce the underlying General Government deficit have been over achieved to date. Reflecting the continued prudent budgetary stance, the General Government deficit for 2015 is now likely to be of the order of 2.3 per cent of GDP, which will see Ireland exit the excessive deficit procedure. This is down from 8 per cent of GDP in 2012 and follows the achievement of a General Government deficit for 2014 of 4.0 per cent of GDP, comfortably below the ceiling of 5.1 per cent of GDP. The General Government Debt to GDP ratio peaked at 120.0 per cent of GDP in 2013 and fell to 107.6 per cent of GDP in 2014. It is expected, with increasing certainty, that the debt ratio will fall below 100 per cent of GDP in 2016.

Global developments and outlook

As always, the Annual Meetings are an important milestone in advancing consideration of global economic and financial challenges and provide an invaluable opportunity for an exchange of views on critical issues for the global economy and for the Fund and Bank membership.

We find ourselves at a juncture of an ever-changing global economy where strategies and policies for growth are made difficult by lagging growth and emerging risks and spillovers.

The latest WEO forecasts suggest global growth for 2015 will be 3.1 per cent, 0.3 per cent lower than 2014. Encouragingly, global growth is forecast to be 3.6 per cent in 2016, though this is a slight reduction of 0.2 per cent from the April forecasts.

Emerging economies have become more resilient but remain vulnerable to changing financial and monetary policies of advanced economies. This is particularly concerning due to the contribution which these emerging economies made to global growth during the aftermath of the global financial crisis. It is also of concern due to potential spillovers which could in turn affect advanced economies in which growth is taking hold and is showing greater signs of potential to strongly contribute to global growth prospects in the medium-term.

The progress made by advanced economies has been achieved through the implementation of careful and prudent macroeconomic planning and use of monetary policy to stimulate productivity, demand and growth. We are in the midst of shifting phases of macroeconomic and monetary policies, with the expected tightening of monetary policy in the US and UK, at the same time as the ECB have engaged in Quantitative Easing and the launch of the EU's stimulus policy, the European Fund for Strategic Investment. It is important that we ensure that the IMF and World Bank stand ready to support emerging economies and advanced economies in the implementation of strategies and policies which can stimulate and sustain global growth prospects.

As a small open economy, Ireland will work to secure its continued economic recovery by ensuring that its policies stimulate domestic demand and investment, while simultaneously remaining attractive for FDI and positioning itself to address emerging challenges to, and opportunities for, growth. As a proactive participant in matters of global importance, Ireland has been a strong supporter of the OECD's important BEPS project which we see as the best approach to aggressive tax planning and the aim of which is aligned with Ireland's own tax strategy.

IMF issues

Turning to matters related specifically to these meetings, I welcome the IMF's continued important role in promoting financial stability and growth. Its work on surveillance, spillovers and financial stability, as evidence by its flagship reports, makes clear the importance of dialogue between policymakers in order to minimize unintended distortions arising from policy initiatives. The IMF's focus on policies that support growth and jobs is the correct one as this is where the success or failure of policy efforts will be seen by all.

Against the background of challenges persisting since the financial crisis, particularly slower-than-expected growth, the key messages from the Fund focus on the importance of implementing growth friendly-policies and macro-critical structural reforms; advancing measures designed to boost actual and potential economic growth; promoting appropriate regulation and vigilant financial sector supervision; and enhancing dialogue and international cooperation to support coherence across the policy spectrum.

Turning towards governance, Ireland, along with other EU states, is concerned over the continued non-implementation of the 2010 Quota and Governance reforms. These reforms are vital for the Fund's financial strength and capacity, while the implementation of the reforms and conclusion of the 2010 Quota and Governance review would protect and sustain the Fund's legitimacy and credibility. We urge members that have not yet ratified the reforms to do so as soon as possible. Separate to any measures which may be taken to reinforce the Fund's capacity over the medium-term, we consider it to be vital that the 2010 reforms are completed as a signal to, and in reflection of, the Fund's important role in the international financial system.

World Bank Issues

Turning to World Bank issues, Ireland welcomes the World Bank Group's continued efforts in working side-by-side with developing countries and indeed all those countries which are dealing with significant challenges. The past year has shown that the global landscape is an unpredictable one – as seen more recently with the Ebola crisis in West Africa - and the events which cross our paths must be faced together and with resilience.

The World Bank has played a leading role in the UN process on the Sustainable Development Goals and Financing for Development Agenda. Together, these processes aim to outline a clear path and strategy for the development agenda up to 2030 and, importantly, the financing of this development agenda. We welcome the leadership shown by President Kim throughout this process and we encourage him to continue to work with other international financial institutions. Critical to this will be the role of IDA and how it continues to support the world's most vulnerable countries in the evolving and challenging development landscape. We urge the World Bank to continue to be creative and innovative in the use of its resources so that support can be provided to countries in transition, while the primary focus remains on those in most challenging and impoverished circumstances. In addition, countries experiencing particularly difficult and cross-cutting challenges will continue to require resources to be targeted specifically on these issues. Innovative approaches require a fundamental review of the current use of resources throughout the World Bank and the flexibility for using these resources better, and the expected demand from borrowing countries in the coming years – to which extensive scenario testing should be applied. This should feed into future consideration of the resource capacity of the World Bank, which in turn supports a review of its overarching strategies and direction.

Development Issues

An example of Ireland's leadership in the evolving development landscape is the 2030 Agenda, co-facilitated by Ireland and Kenya and adopted last month at the largest gathering of Heads of State and Government in the history of the UN is the second of three major agreements that will be concluded this year and which, taken together, have the potential to deliver a truly transformative agenda that can end poverty and promote sustainable development. The first of these is the Addis Ababa Action Agenda on the means of implementing the new SDGs which was agreed in July, and the third, the climate agreement, should be concluded in Paris in December.

The 17 Sustainable development Goals (SDGs) at the heart of the new development framework will guide the actions of all countries in their efforts to eradicate poverty and hunger and achieve sustainable development over the next fifteen years.

Ireland attaches great importance to these new goals and to their implementation. While they are challenging and ambitious, we have been heartened by the level of commitment to their implementation expressed by world leaders at the recent Summit in New York. Ireland is determined that our aid programme which is central to our foreign policy will continue to focus on ending poverty in the poorest countries in the world.

As we embark in implementing the SDGs, we must ensure that scarce development resources are focused on the world's most vulnerable and poorest, with a strong emphasis on women and marginalised groups.

We welcome the leadership the World Bank and the IMF have shown, in particular on Financing for Development, and call on the institutions to focus now on implementation of the Addis agreement and of the 2030 Agenda.

The World Bank and the IMF have a key role in assisting developing countries in leveraging the resources need to implement the SDGs, including through building fair and equitable taxation systems; helping to create a flourishing private sector based on environmental and social sustainability; and mitigate and adapt to the challenges posed by climate change. Ireland believes the World Bank is uniquely placed to drive the 2030 Agenda by helping to eradicate extreme poverty and promote shared prosperity globally

Conclusion

Developments in the global economy continue to underline the pivotal role of institutions such as the IMF and the World Bank. Ireland will continue to aim to play a key role in work to help ensure that both institutions are well placed to respond to ongoing and emerging challenges in the most effective way.