



# 2016

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

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

The International Monetary Fund and the World Bank Group have key roles to play as many economies face challenges to growth and maintaining development gains. New Zealand values the role of both institutions in supporting economies to address these challenges. International cooperation is the key to making progress on the wide range of issues we face. We welcome measures taken over the last few years to improve the operational and financial performance of both institutions and look forward to a continuing focus on efficiency and effectiveness.

These Meetings are being held at a time when global growth continues to be sluggish, particularly in advanced economies. But while the Annual Meetings provide an opportunity to focus on the world economy as a whole, they are also a time to recognise that different countries and regions face a variety of situations. Each requires a different policy prescription.

In New Zealand, the economy is currently growing at around 3 per cent a year. The Government is running modest fiscal surpluses and will soon begin to reduce net public debt as a percentage of GDP. The Official Cash Rate, while at historical lows, is above zero. Nonetheless, we face a number of downside risks including from China's transition and from persistently low global inflation. We welcome the work the IMF is doing to prepare policy advice ahead of any further negative shocks to the world economy.

As a small, open economy, New Zealand welcomes the focus this year on openness and global integration and supports the call for greater trade liberalisation and for countries to resist protectionist policies. As the WEO notes, a number of large, regional trade agreements, such as the Trans-Pacific Partnership agreement, are currently being negotiated or are in the process of being ratified.

*IMF's work with small states*

Climate change and natural disasters pose a high risk to the small island developing states in our region. We welcome the Fund's focus on building resilience in the Pacific, including by assessing the impact of natural disasters on fiscal sustainability, helping countries prepare for—and respond more effectively to—natural disasters, and by providing rapid financing.

More broadly, we acknowledge and commend the strong engagement by the IMF—and the WBG—with small states. The number of events at these Annual Meetings relating to small states is a testament to that. These events include the conference on correspondent banking relationships which is directly relevant to a number of countries in our region and links to work New Zealand is undertaking on remittances to the Pacific.

*Fund resourcing*

New Zealand supports a well-resourced Fund where quota reflects the economic weight of its membership. This is important for maintaining confidence in the Fund's ability to respond in a crisis and for legitimacy, relevance, and credibility with its membership.

In progressing the 15th General Review of Quotas it will be important to determine the appropriate level of resourcing for the IMF in the post-GFC period and to ensure that quota comprises the majority of this resourcing. We recognise the role temporary funding arrangements currently play in the IMF's lending ability. New Zealand participates in both the New Arrangements to Borrow and the bilateral borrowing agreements. However, we see bilateral agreements as being only a temporary and supplementary resource. If the need for elevated Fund resources is considered enduring then it is appropriate that the corresponding increase in financing be met through an increase in quota, not by continuing to maintain temporary facilities. We stress the importance of moving forward with the 15th General Review as the IMF should have a strong, permanent basis for its crisis response and contributions should reflect members' relative economic positions.

#### *WBG's Forward Look*

We welcome the Forward Look, which sets out how the WBG will evolve to meet development challenges over the next fifteen years. We support the WBG's intention to use development finance to mobilise domestic resources and create a supportive environment for private investment. Greater collaboration between the World Bank, IFC and MIGA will be necessary to achieve this objective, particularly in small states where these institutions will need to work effectively together to support market development and create new opportunities for investment.

We also support the WBG's intention to play a greater role in the provision of global public goods, particularly in the areas of climate change, forced displacement and pandemics. However, as the WBG assumes a greater role in these areas, we expect management to carefully assess the WBG's comparative advantage to ensure its contributions do not duplicate or cut across the roles and responsibilities of existing actors.

The Forward Look commits the WBG to further improve the relevance of its products and the timeliness of its delivery. Sufficient resources need to be available to support implementation of procurement and safeguard reforms and, in particular, to provide adequate support for capacity-constrained clients. We urge the WBG to continue to pay attention to the specific needs and constraints of its smallest clients.

#### *Dynamic Formula*

We welcome the conclusion of the Board's work on the Dynamic Formula. Agreement on the Formula represents an important step forward in ensuring the ongoing legitimacy of the WBG as a multilateral institution with broad stakeholder support and representation.

We look forward to further discussions on shareholdings in the lead-up to the 2017 Annual Meetings. A primary consideration for New Zealand in those discussions will be to ensure there are adequate protections for the smallest and poorest members of the WBG as all members must retain an appropriate voice in the institution.

We also expect discussions on shareholdings and capital to take account of the full range of options available to increase the resources of the Bank. These include pricing measures, further balance sheet optimisation, contributions to reserves, a more ambitious approach to the leveraging of IDA equity and an ongoing commitment to cost control. Given the world's development challenges, it is incumbent on the WBG to maximise the use of its existing resources, even as we discuss the case for additional capital.