



**ANNUAL
MEETINGS**
2017 | WASHINGTON DC
WORLD BANK GROUP
INTERNATIONAL MONETARY FUND

Governor's Statement No. 28

October 13, 2017

Statement by the Hon. **DATUK SERI JOHARI ABDUL GHANI**,
Governor of the Bank for **MALAYSIA**

Statement by the Hon. DATUK SERI JOHARI ABDUL GHANI,
Governor of the Bank for Malaysia

Mr. Chairman, distinguished fellow Governors, President of the World Bank Group, Managing Director of the International Monetary Fund, ladies and gentlemen.

Global Economy

1. Global economy is strengthening and is expected to post higher growth of 3.5% in 2017, amid challenging global economic environment. This is attributed to improved growth performance in most advanced economies as well as the emerging market and developing economies, supported by stronger global demand and higher investment activities. Most economies in Asia, including ASEAN, are expected to register continued expansion in 2017 contributed by strong domestic demand and favourable export performance. The ASEAN bloc in particular, is expected to register a growth rate of 4.9% and 5.1% in 2017 and 2018 respectively, and sustain around 5.2% until 2020, based on IMF forecast. However, while the overall outlook is strengthening, growth remains moderate in some countries coupled with below-target inflation levels in most advanced economies. Furthermore, the global economy is facing challenges such as monetary policy tightening, sluggish productivity in major economies, rising concerns over inward-looking policy, high public sector and household debts as well as financial market and commodity prices volatility. Heightening geopolitical tensions in certain parts of the world may also dampen global growth prospect going forward.

Policy Responses in Malaysia

2. Although the Malaysian economy was forecast to grow between 4.3% - 4.8% for 2017, we are seeing improvements in the trend, wherein Malaysia has already registered a growth of 5.7% during the first half of the year. This encouraging growth is driven by strengthening domestic and external demand. Growth will also be supported by higher private consumption as a result of increases in real wages as well as improved investor and consumer sentiment. The economy is backed by strong fundamentals that include a well-diversified economy and a strong banking system. As a highly open economy, commitment to liberal investment policies will provide Malaysia the impetus to become a developed economy by the year 2020.

3. Fiscal consolidation remains an important agenda for the country. Malaysia is on track to achieve its 3.0% GDP fiscal deficit target for 2017 and the Government remains committed towards achieving a near-balanced budget by the year 2020. The improved collection of the Goods and Services Tax (GST), which was implemented in April 2015, through enforcement activities by the Royal Malaysian Customs Department, coupled with subsidy rationalisation and productivity enhancement, have resulted in cushioning the revenue loss due to prolonged low global oil prices. The Government is also looking into other avenues towards diversifying sources of revenues as part of the holistic policy responses to ensure fiscal sustainability remains intact in the medium term.

World Development Report 2018: Learning to Realise Education's Promise

4. Malaysia concurs that education should be the top most priority in the world development agenda as education lays the foundation for a country to succeed. It is important to ensure our children are educated and acquire the necessary set of skills and competencies in order to produce well-equipped human capital as they contribute towards the development of countries and regions. We recognise the need to address the three-dimensional crises as laid out in the World Development Report 2018, themed *Learning to Realise Education's Promise* to ensure investments in education is paid off. In this regard, we support forward-looking policies to address these problems by assessing learning, making schools work for learners and reforming the system to make it work for learning.

5. Member countries' commitment to continuously improve the quality of education and provide learning opportunities for all by implementing the right education policies as well as providing optimal annual budget, education infrastructures, and most importantly curriculum that suits the increasingly digitized and more connected economic landscape is a vital investment. Furthermore, well-educated human capital is the main ingredient to achieve a high-income nation status. In line with this, the Malaysian Education Blueprint (2013-2025), provides equal access to quality education of international standards, builds languages proficiency and produces value-driven Malaysians. Greater emphasis is also given in nurturing skills that would be relevant in the digital era such as basic technology competence, ability to ask the right questions, critical thinking, being able to analyse concepts and also leading a purposeful life in terms of creativity, collaboration and non-cognitive skills. To ensure holistic transformation of the Malaysian education ecosystem, the Government is also transforming the teaching profession into a prestigious, elite profession through various initiatives. In short, the WBG's commitment to find ways to ensure inclusive and equitable quality education as well as to promote life-long learning opportunities for all is highly commendable.

Maximising Finance for Development

6. As set out in the Forward Look in March 2017, Malaysia takes note of the 'Cascade Approach' as a concept guide for the bank to leverage the private sector for growth and sustainable development. In this regard, the WBG would be able to help member countries to maximise their development resources through private financing and sustainable private sector solutions while allowing the scarce public funding to be allocated for areas which private sector funding is not optimal. We also welcome the WBG to work closely with the Government of Malaysia and the private sector in our country in realising the objectives of this programme. Malaysia is confident that such initiative will help to reduce dependency on public resource and thus, allowing greater fiscal buffer and more private sector involvement in the broader sustainable development agenda.

Forward Look Implementation Update

7. Malaysia appreciates the World Bank Group's (WBG) Forward Look efforts that describe how the WBG will deliver on the Twin Goals and its three priorities of sustainable and inclusive growth, investment in human capital, and strengthening resilience. We are pleased with the progress made thus far as the WBG has now become agile, innovative and able to address country-specific needs better. We also take note that the WBG is now leading the global response to some of the largest global challenges of the day, such as climate-change, crisis response and gender

equality. It is also playing a leading role in the paradigm shift to maximise finance for development by leveraging the private sector while optimising the use of scarce public resources. We are confident that the WBG will be able to achieve the objectives set out under the 2030 Sustainable Development Agenda and Malaysia will continue to offer its support for the agenda.

Shareholding Review

8. Malaysia acknowledges the WBG's exercise to realign its shareholding to an equitable balance of voting power and to strengthen the capital positions in both IFC and IBRD, through the proposed selective and general capital increases. Malaysia is supportive of the World Bank's aspiration towards ensuring better shareholding alignments between IFC and IBRD. In this regard, Malaysia wants the exercise to be carried out in a manner that will not compromise or dilute a member country's current shareholding percentage and voting power.

Conclusion

In conclusion, the Government of Malaysia would like to thank the WBG and the IMF for successfully organising the 2017 Annual Meetings.