



2016

ANNUAL MEETINGS

International Monetary Fund
World Bank Group
Washington, D.C.

Governor's Statement No. 19

October 7, 2016

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

Statement by the Hon. Johari bin 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 growth remains modest amid uneven growth across countries. The prolonged weaker growth among advanced economies and persistently low commodity prices, as well as lackluster global trade and capital flows pose challenges to the global economy. The advanced economies are envisaged to register a marginally slower growth. Meanwhile, the emerging market and developing economies are anticipated to register a slight improvement in growth that is expected to partially offset the slower growth in the advanced economies. Emerging Asia, in particular China, India and ASEAN remain the main contributors of growth. Nevertheless, downside risk remains to be a concern, namely low growth and low inflation environment in the advanced economies, prolonged low commodity prices as well as geopolitical tensions.

Policy Responses in Malaysia

2. The Malaysian economy is expected to grow between 4% – 4.5% in 2016, supported by strong domestic demand. The Government remains steadfast in facing the challenges from prolonged uncertainties in the global economy, while ensuring its policy agenda remains on track. Policy decisions taken by the Government include fiscal consolidation, the introduction of GST in April 2015 and the removal of costly and untargeted fuel and other subsidies starting in late 2014. These decisions have been effective in shielding the country's fiscal position from the effects of lower oil-related revenues and in diversifying the revenue base. To support growth, the Central Bank cut the policy rate by 25 basis points to 3% in July 2016. The Government remains committed in its fiscal consolidation towards achieving a near-balanced budget by the year 2020.

World Bank Group Office in Malaysia

3. Malaysia's collaboration with the WBG entered a new dimension, with the official opening of the WBG Knowledge and Research Hub in Kuala Lumpur in March 2016. The establishment of this office marked an important milestone, indicating Malaysia's readiness in taking on a bigger role in the international arena through a strategic partnership with the WBG. The office is aimed at sharing Malaysia's development experiences abroad apart from conducting development policy research of regional and global importance. In addition, the WBG and the government of Malaysia have also been collaborating actively in various programmes, including through capacity building and knowledge sharing activities.

Forward Look and Dynamic Formula

4. We express our appreciation to the WBG for their efforts in preparing the Forward Look as it highlights issues and challenges faced by the WBG and sets clear goals and strategies towards supporting the 2030 Development Agenda. It will help the WBG to improve its operational model as well as prioritise and strategically deploy resources in addressing client needs. We believe this approach will further reinforce the WBG's relevance and its overall role in the global public goods agenda.

5. On the dynamic formula, we are pleased with the proposal to adopt a simple formula that serves as an input and basis for future discussions of shareholding realignments. We commend the WBG for its efforts in proposing the Dynamic Formula and support the proposal by the Executive Directors.

Leading on Global and Regional Issues

6. We commend the WBG's efforts in developing the Climate Change Action Plan to support the global climate goals. We also welcome the establishment of the Global Crisis Response Platform that will strengthen the WBG's approach in assisting developing countries dealing with global crises, which are increasingly complex and frequent. We also appreciate the WBG's efforts in promoting disaster-risk management, reconstruction and post-crisis financing as this would further assist client countries to cope with such situations.

Strengthening Financial Capacity

7. WBG needs to take more innovative measures in addressing client needs and meeting the 2030 Development Agenda more effectively and efficiently. Towards this end, we urge the WBG to explore new sources of capital, as this will increase its capacity in complementing the current capital base. This will promote a more efficient, fair and transparent mobilisation of resources towards meeting the SDGs.

IDA18

8. We welcome the IDA18 replenishment and support the proposal on the establishment of IDA18 *Private Sector Window* (PSW), aimed at catalysing private sector investment in IDA countries. We look forward to the day that all IDA countries have similar access into this investment window. We look forward to a speedy and consensual conclusion on the IDA18 Replenishments.

Enhancing Voice and Representation

9. We continue to underscore the importance of quota and governance reforms to strengthen the credibility, legitimacy and effectiveness of the IMF. In this regard, whilst remaining cognizant of the challenges in achieving broad consensus, we reaffirm our commitment to work towards expeditious completion of the 15th General Review of Quotas. While we remain supportive of the need to augment the IMF's resources, we reiterate our commitment to preserving the quota-based nature of the IMF.

Strengthening the International Monetary System

10. We welcome the IMF's efforts in strengthening the global financial safety net (GFSN), including ongoing reforms to its lending toolkit and strengthening coordination with Regional Financing Arrangements including the Chiang Mai Initiative Multilateralisation (CMIM). Regional Financing Arrangements can complement and reinforce the Fund's resources in crisis resolution.