



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

Governor's Statement No. 29

October 13, 2017

Statement by the Hon. **AIYAZ SAYED-KHAIYUM**,
Governor of the Bank and the Fund for the **REPUBLIC OF FIJI**

Statement by the Hon. Aiyaz Sayed-Khaiyum,
Governor of the Bank and the Fund for the Republic of Fiji

**Mr Chairman,
Fellow Governors,
Distinguished Delegates,
Ladies and Gentlemen,**

1. I am honoured to deliver this statement on behalf of the Republic of Fiji, to the annual meeting of the International Monetary Fund (**'Fund'**) and the World Bank (**'Bank'**). I would like to commend both the institutions for the continued leadership in promoting global financial stability and development.
2. I express our condolences, on behalf of the Fijian Government and the Fijian people, to all those recently affected by Hurricanes Harvey, Irma and Maria and the recent fires in California. The growing incidences and intensity of natural disasters and climate change induced calamities are one of the greatest threats to humanity and require urgent action.
3. Mr Chairman, next month in Bonn Germany, Fiji as the President of COP23 will preside over the United Nations Framework Convention on Climate Change (UNFCCC) negotiations. Fiji is the first Small Island Developing State to take on the role of the President of the climate negotiations, and as President, we will uphold and advance the Paris Agreement. A Pre-COP Ministerial dialogue will be held next week in Fiji that will provide a platform for a frank exchange of views of key political deliverables amongst political leaders. Alongside this event, Fiji is also hosting a Partnership Day to build a grand coalition between civil society, the scientific community, the private sector and all levels of government to accelerate climate action to address the root causes of climate change.
4. Mr Chairman, I call upon every country to support our Prime Minister as the incoming President of COP23 in advancing the global climate action agenda. It is indeed pleasing to note that in the various forums in the sidelines of the annual meeting here in Washington DC, there is great consensus that climate change is a real threat to sustainable economic growth and therefore there is an urgent need to take action.

Fijian Economy

5. Mr Chairman, the Fijian economy recorded a marginal positive growth in 2016 despite being hit by the most devastating tropical cyclone ever recorded in the Southern hemisphere. I am pleased to highlight that the economy has rebounded quickly with growth

projected at around 4 per cent this year. Sectoral performances so far are generally upbeat indicating the economy is on track to achieve its eighth consecutive year of growth in 2017; the longest period of economic growth since independence. Growth over the medium term is forecast to be above 3.0 per cent.

6. Aggregate demand continues to be buoyant, boosted by ongoing consumer and business optimism and the positive impact from the 2017-2018 National Budget policies. Consumption and investment activities are expected to expand further this year, as reconstruction and rebuilding efforts pick up pace, in line with Government's plans to strengthen infrastructure and improve livelihoods. External sector balances continue to remain stable as higher import demand for consumption and investment goods are offset by record inflows of tourist earnings, remittances and improved foreign direct investments.
7. Consistent with the positive growth outlook, labour market conditions remain optimistic, pointing to higher employment numbers while financial conditions remain conducive for investment with high bank liquidity and low interest rate levels supporting further credit expansion. Inflation and foreign reserves outcomes and outlook continue to be favourable given the recent declining trend in inflation which was 2.0 per cent in September and record levels reached for foreign reserves of around \$2.4 billion or 6.1 months of retained imports.
8. Monetary policy setting remains focused on boosting demand in support of more sustainable and inclusive growth in the economy while maintaining macroeconomic stability. Likewise, Government continues to calibrate fiscal policies and undertake structural reforms that are necessary to raise growth potential and safeguard fiscal and debt sustainability.

International Monetary Fund (IMF)

9. Mr Chairman, we commend the Managing Director's Global Policy Agenda (GPA) and the IMF's commitment to continue to provide advice that incorporates the full range of Fund work and country specificities. In particular, I draw attention to the point I made in my statement last year about the need to exercise greater flexibility in allowing higher access limits on concessional lending to small states significantly affected by severe natural disasters. In this regard, I am pleased to note the May 2017 decision by the Fund to raise the annual access limit under the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) from 37.5 to 60 per cent of a member's quota in the Fund, for those countries that experience urgent balance of payments needs arising from large natural disasters. We also note the damage threshold of 20 per cent of GDP for the higher access limits.

10. While we acknowledge this increase, we call on the Fund to ensure via its 2018 comprehensive review of the Fund's facilities for low-income countries that assistance provided is commensurate with the shocks encountered.
11. Mr Chairman, as highlighted earlier, climate change adaptation and mitigation is high on our Government's development agenda. We understand that the Fund embarked on its first climate change policy assessment for Seychelles early this year and it has continued to highlight weather-related risks via its bilateral surveillance. Nevertheless, the fact is: climate change disproportionately harms small states despite our collective negligible carbon footprint. In this regard, collaborative and multilateral action is critical, on all fronts. For the Fund in particular, apart from its efforts through research, surveillance and international engagement, it must ensure swift and demand-driven access to its financial support.
12. We welcome the Fund's close engagement with Fiji through the annual Article IV consultations and technical assistance provided through the Pacific Financial Technical Assistance Centre (PFTAC). The success of recent Article IV missions, publication of staff reports, and ongoing TA programs are testament to our effective collaboration, improved traction of Fund policy advice and their implementation. Mr Chairman, we remain appreciative of ongoing Fund engagement through the PFTAC and the Resident Representatives Office located in Fiji and encourages the Fund to intensify its efforts towards aligning TA to country needs and policy priorities while taking into account absorptive capacity. PFTAC will be celebrating its 25 years of existence in Fiji next year and we invite you to Fiji to celebrate this momentous occasion.
13. Finally, we look forward to Fiji's upcoming Financial Sector Stability Review (FSSR) that will assist us to better design, sequence, and implement financial sector reforms.

World Bank

14. Mr Chairman, our relationship with the World Bank continues to grow. In August this year, the Fijian Government signed the Establishment Agreement with the World Bank and the International Finance Corporation and we are very much privileged to host the regional office in Fiji. This has strengthened partnership and collaboration between the Bank and not only Fiji but the rest of the Pacific island countries. We have already had a firsthand experience in accessing quick and timely technical advice together with urgent support in the aftermath of TC Winston last year with the Post Disaster Needs Assessment and the US\$50 million Development Policy Loan for rehabilitation works. We are also working closely with the IFC in areas of health, housing, insurance and our first green bond issuance.

15. Mr Chairman, the World Bank has also completed Fiji's Systematic Country Diagnostic (SCD) this year that will guide the formulation of the new Country Partnership Framework. The SCD has identified 3 key pathways - building stronger growth, better access to services for all and building resilience - key areas of intervention.
16. Mr Chairman, we commend the Bank's support towards the small states agenda. The Small States Forum (SSF) has provided a great platform for small states to voice their unique challenges in a more concerted and collective manner. The timing of the rotation of the SSF Chairmanship to the Pacific is ideal given the prominent role played by our small states in the international stage to fight global challenges like climate change. We would like to thank everyone for their support and confidence that has been placed on Fiji to take up the chairmanship of the Small States Forum. Given Fiji's presidency of COP 23, we are in a unique position to strategically advance development issues of the small states that face distinctive challenges.
17. Mr Chairman, we also welcome the recent report released by the Bank - A Roadmap for World Bank Group Engagement with Small States. The areas of engagement in enhancing concessional financing, attracting private sector financing and building capacity are also welcomed.
18. I would like to again re-iterate Fiji's call in recognising our inherent vulnerabilities to climatic events and in accessing concessional financing. Access to this concessional financing is critical for vulnerable IBRD countries for disaster response and post disaster reconstruction.
19. Mr Chairman, we thank the Bank for the extensive work that was put in the Pacific Possible Report which was launched this year. It provides various options and ideas to accelerate development in the Pacific region keeping in mind the unique challenges we face and the opportunities available for us to tap into. We as small economies have to strive towards broadening our economic base by supporting emerging sectors and nurturing new ones. The focus on the new markets for tourism, opportunities for labour mobility, taking advantage of ICT revolution, sustainable use of fisheries resources and deep sea mining truly provide great opportunities for the region. At the same time the immense threat before us from climate change and non-communicable diseases are also brought to the forefront.

Conclusion

20. In closing Mr Chairman, I would like to again thank the Fund and the Bank for their ongoing partnership and wish both institutions success in the year ahead.