

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **SAVENACA NARUBE**,
Governor of the Fund for **FIJI**,
at the Joint Annual Discussion

It is a great privilege and honour for my delegation to participate in this year's annual meeting of the International Monetary Fund and the World Bank Group on behalf of the Government of the Fiji Islands.

May I at the outset congratulate you Mr Chairman for your appointment to chair the joint annual meeting.

Mr Chairman, I wish to pay tribute to the outgoing President of the World Bank Group, Mr James Wolfensohn, for his outstanding stewardship of the Bank during a period of vast global challenges. His commitment and determination to confronting the economic challenges of our generation is commendable. Indeed, his legacy is a World Bank that is firmly committed to a world free of poverty.

We warmly welcome the new President of the World Bank, Mr Paul Wolfowitz. We assure him of our usual cooperation and support and wish him well during his tenure as the head of the institution.

Mr Chairman, we meet at a period when the global economic system continues to face new challenges. It is at times like this that a collaborative and partnership approach to addressing economic challenges is vital.

TERRORISM

Recent events remind us all of our vulnerability to the threats of terrorism. These unfortunate events undermine security, freedom and peace. The associated economic and human costs are enormous. Together, we can eradicate terrorism and combat money laundering. We therefore need to harness every effort and resources needed to tackle this serious threat to our lives and economic progress.

Mr Chairman, we urge the Fund and the Bank to continue their role in the fight against terrorism. We are pleased to note the work by the Fund to help draft legislation for Countering the Financing of Terrorism. I wish to report that Fiji recently enacted a Financial Reporting Transactions Act to help curb terrorist financing and money laundering through the reporting of suspicious financial transactions. The Asia Pacific Group on Anti Money Laundering also concluded following their country assessment that Fiji generally has in place adequate preventative measures in this area.

OIL PRICE

Mr Chairman, the unprecedented surge in oil prices is adversely affecting small open economies like Fiji. Like other net importers of energy, our bill for oil imports is escalating and this is expected to worsen since there is no indication of oil prices falling. This exogenous shock seriously threatens the current accounts of small countries and undermines price stability. Most of these countries already face many challenges and

hardships such as narrow export base, increased poverty and high debt levels. I urge the Fund and the Bank to assist developing member countries lessen the impact of the higher oil price. I join the call for the Bank and the Fund to establish a facility to help member countries deal with high oil prices. At the same time Mr Chairman, a facility that encourages the generation of renewable energy would not only alleviate our heavy reliance on fuel imports, but also strengthen our internal and external balances.

MILLENNIUM DEVELOPMENT GOALS

Mr Chairman, fulfilling the Millennium Development Goals presents a huge challenge even to countries with impressive growth performance. We commend the efforts by the Fund and the Bank in assisting member countries implement strategies that will help achieve the MDGs, particularly on poverty reduction. The emphasis of such strategies should be on job creation to reduce poverty in a sustainable way.

Mr Chairman, I also suggest that the convergence of goals and measures embodied in the Millennium Development Goals, the Poverty Reduction Strategy Program and other programs coordinated by the Fund and the Bank be brought together into a single nationally-driven development framework for growth and poverty reduction for members.

On the subject of debt Mr Chairman, we commend the decision by the G-8 countries to provide debt cancellation to Heavily Indebted Poor Countries (HIPC). The initiative to cancel multilateral debt of some of the poorest and most indebted countries is of great importance. Such gesture will help their efforts to achieve the Millennium Development Goals.

At the same time, we share the view that the provision of a full debt relief should only be made without compromising the sustainability of the Bank and the Fund, particularly the International Development Association (IDA), and its effectiveness in assisting other member countries. Uniformity of treatment is also an important issue. We encourage an amicable and quick resolution to this matter to enable this debt relief to be implemented as soon as possible.

Mr Chairman, the Bank and the Fund also need to pay due consideration to the group of countries, particularly small island states that do not benefit from the debt relief initiative. Despite our many vulnerabilities, we have avoided falling into an unsustainable debt situation by undertaking difficult and painful reforms and implementing prudent macroeconomic policies. These countries also need support and encouragement. The international community should consider extending the appropriate incentives to this group of countries that have maintained prudent debt management despite enormous economic challenges. One of the ways that this can be done is to reduce borrowing costs for this group of countries which are not eligible for concessionary facilities of the Bank. In addition, the access to blend financing by these countries can also be considered.

DOHA DEVELOPMENT ROUND

Mr Chairman, we call for a rapid conclusion of the Doha Development Trade Round. Achieving a successful outcome of the Doha Round requires commitment by both developed and developing countries. I agree with the G-8 leaders at the Gleneagles Summit that we need to use the lead up to the WTO Ministerial Meeting in Hong Kong S.A.R. well to prepare for a comprehensive agreement in 2006. Improved market access continues to be the greatest need of developing countries. Whilst trade liberalization under the Round will help ensure that the world economy remains on a path of steady growth, we urge that the specific needs and conditions of the developing small states be given due consideration. We encourage the Fund to explore ways of easing adjustment costs associated with trade liberalisation including through Trade Integration Mechanism and capacity building.

REGIONAL ACTION PLANS

Mr Chairman, we support the Africa Action Plan, which aims to assist efforts of African countries to reduce poverty, and achieve the MDGs. We believe that such a Plan should be results-focused with concrete actions, and measurable indicators and outputs, which are to ensure effective use of resources.

In our region Mr Chairman, a Pacific Plan is currently being considered by members of the Pacific Islands Forum. The primary objective of the Plan is to enhance development by greater regional integration and cooperation through trade. We look forward to the Bank and Fund's support of the implementation of the Pacific Plan.

Mr Chairman, in these action plans, we cannot stress enough the importance of an effective partnership with development partners and would like to place special emphasis on their effective monitoring and evaluation mechanisms.

FIJI'S ECONOMIC PERFORMANCE

Mr Chairman, I am pleased to announce that a Fund Mission, which recently concluded its visit to Fiji this year following the Article IV consultation last year, acknowledged Fiji's good economic performance since 2000 with average growth of 3.5 percent. This level of performance reflects increased investments and buoyancy in consumer confidence. The mix of monetary and fiscal policy has worked well to raise domestic demand, which has driven growth in the last four years. Our economic fundamentals remain firm with low inflation, adequate foreign exchange reserves and moderate debt level.

However, we fully agree with the Fund that the emphasis should now be on sustaining this performance into the future. Government is committed to maintaining macroeconomic stability through fiscal consolidation and appropriate monetary policy.

However Mr Chairman, being a small open economy with a narrow resource base, the challenges of development are enormous. We face the removal of our preferential markets, the adverse effects of globalisation, large variability in outputs, small productive base, low endowments of natural resources and now, high international oil prices. We therefore need support Mr Chairman. We need the support and assistance of the international community and in particular the two Bretton Woods institutions. As usual, our needs are concentrated in the areas of training, technical assistance, policy advice and institutional strengthening.

GOVERNANCE

Mr Chairman, with the assistance of the World Bank, the Asian Development Bank and Donors, the Fiji Government is implementing measures that improve governance. These include reforming the civil service and public enterprises, building institutional capacity and developing human resources.

Mr Chairman, Fiji has agreed to participate in a joint IMF and World Bank Financial Sector Assessment Program (FSAP). This is part of our commitment to comply with international codes and standards that will strengthen financial regulation and oversight, promote transparency and accountability and enhance our resilience to exogenous shocks. However, the burden of compliance can be enormous and I reiterate our need for institutional and human resource capacity building in this important area.

REPRESENTATION AT FUND / BANK

Mr Chairman, the structural misalignment of representation that exists in the Fund and the Bank needs to be urgently addressed. It is critical that quota shares be reassessed to ensure adequate voice and participation by all members. In this regard, Fiji continues to support the 13th general review of the IMF quotas, which will provide the best opportunity for the membership to make progress in this regard. Similarly, the strengthening of capacities in the Executive Directors Offices of the Bank and the Fund will be a step in the right direction. I urge the Bank and the Fund to take necessary measures towards addressing these issues as soon as possible.

TECHNICAL ASSISTANCE PROGRAMMES

We are grateful to the Bank and the Fund for their continuing technical assistance to Fiji in the areas of macroeconomic and financial policymaking. We have received assistance in the areas of telecommunications, public sector reforms, financial supervision, payment systems, and monetary policy. Indeed, we acknowledge that by helping to build institutional and human capacity in formulating sound economic policies, the Fund and the Bank's technical assistance contributes to the building of a strong economy and maintaining stable growth. We are satisfied with the work of the Pacific Financial

Technical Assistance Centre in the region and thank the Fund and other sponsors of the Centre. We also thank the Bank's Representative Office in Sydney for their support.

We wish the Fund and the Bank success in their future endeavours.

THANK YOU.