

WORLD BANK GROUP

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INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
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Statement by Hon. **JEFFERSON BARTON**,
Governor of the Bank for the **REPUBLIC OF THE MARSHALL ISLANDS**,
on behalf of Kiribati, Republic of the Marshall Islands, Federated States of Micronesia,
Republic of Palau, Samoa, Solomon Islands and Vanuatu,
at the Joint Annual Discussion

**Statement by Hon. Jefferson Barton,
Governor of the Bank for the Republic of the Marshall Islands,
on behalf of Kiribati, Republic of the Marshall Islands, Federated States of Micronesia,
Republic of Palau, Samoa, Solomon Islands and Vanuatu,
at the Joint Annual Discussion**

Mr. Chairman,
Mr. President,
Managing Director,
Honorable Colleagues,
Distinguished Delegates,
Ladies and Gentlemen,

1. On the occasion of the Fifty-Ninth (59th) Annual Meetings of the International Monetary Fund (the Fund) and the World Bank Group (the Bank), I am honored to address this eminent group on behalf of the Pacific constituency- comprising of, Kiribati, the Federated States of Micronesia (FSM), the Republic of the Marshall Islands, the Republic of Palau, Samoa, the Solomon Islands, and Vanuatu. May I take this opportunity to express our deepest sympathy to the US Government and its people on the tragic events that have been brought by Hurricanes Katrina and Rita.

2. I wish to extend our congratulations to you, Mr. President, on your election and in taking over leadership of the World Bank Group. We are confident that your leadership will bring about an innovative platform that will deliver best results from the Bank's strategic operations in the developing countries, in complement to the invaluable work of the Fund.

3. With the recent acceleration of growth in 2004, the world's developing regions are now growing faster than their average growth rates of the 1980's and 1990's. The economic surge has been fueled in large part by the ongoing economic boom in China as well as increased economic activities taking place in Japan and the United States. However, economic growth this year and 2006 is expected to moderately slow down due to deceleration in growth in a number of developed countries, increasing oil prices, and anticipated increase in interest rates that will slow investment growth.

4. The extent of the slowdown should be eased by the strong momentum of the impact of both the Bank and the Fund's vigorous work in many developing countries. The far-reaching structural reforms carried out in these countries that include efforts to rationalize public expenditures, reduce current account deficits and pay down debts, would enable them to withstand the debilitating impacts of these exogenous shocks, one of which is the continuing increase in the price of oil that is impacting not only these countries but is also adversely affecting the rest of the world economy.

5. The economic success of many developing countries in the past year has been achieved so far; however, the favorable prospects for the next two years are still short of equipping these countries to fully achieve the Millennium Development Goals (MDGs) by 2015. Many of them would still need to continue to improve macroeconomic management of their economies, maintain structural flexibility and foster an investment climate that is conducive to both economic growth and development, which are prerequisites for attainment of the MDGs.

6. Equally important is the need to reduce trade barriers, and at the same time, step up development assistance for the developing countries to enable them to achieve rapid and sustained per capita growth of 3.5 percent per year between 2006 and 2015. As a matter of fact, without such growth, many developing countries would not be able to reduce extreme poverty by half by 2015. It is therefore incumbent on the developed world, including the two Breton Wood Institutions, to help out these countries.

7. For Sub-Saharan Africa, our Pacific Member Countries welcome the recent G8 debt relief proposal (and the donors' progressing towards the target of dedicating 0.7 percent of GNI to ODA) that will primarily benefit the Sub-Saharan African region and would urge the most effective use of the freed up resources along with other bilateral aids to revitalize infrastructure and improve health and education services in order to achieve the MDGs.

8. We are pleased with the efforts of the developed countries in helping out this region of the world and we would like to encourage them to continue to lead in this effort, especially by further opening up their agricultural markets and continuing to reduce distortionary agricultural subsidies.

9. The global economic boom has been slow to take hold among the seven Pacific Island Countries in our constituency, largely due to our very "given" nature of our island economies. Our region's economic aspirations are stifled by our own remoteness and isolation from major markets, tensions emanating from the confluence of colonial systems, susceptibility to natural disasters, narrow resource base, heavy dependence on foreign aid, and inadequacy of human capital. All of these have substantially explained why our small island economies have been stagnant for so long and have not kept pace with an increasing population which averages 3 percent per year.

10. The key to moving our island economies forward will be through improving our macroeconomic management through appropriate public policies, adequate institutional capacity and a robust private sector. These, we believe, will definitely lead our small economies to achieve sustainable development and long-term growth.

11. We welcome the Bank's well-crafted Pacific Strategy. We believe that such strategy will assist the PICs, to strengthen our public service delivery, improve our private sector, and increase employment.

12. We agree that the blend of Bank engagement measures proposed in the strategy, from technical assistance and high-quality policy advice to gap-filling financing, are appropriate to the social and economic context of our island economies. We believe that the strategy, in conjunction with and in taking into consideration our unique challenges, will deliver better results and will lead to better reforms of our small and fragile economies. However, the real success will only come about if there is a strong partnership between the Bank, the islands and all other donor partners such as the Fund.

13. Our Pacific Island member countries have already laid the foundations that will be necessary in delivering results within the context of anticipated Bank assistance to the PICs. Considerable progress has been made in enhancing our capacity and strengthening our economic management, including a wide array of legislative and administrative actions taken to strengthen our institutional capacity.

14. However, there still remains a greater challenge to build on those foundations to deliver improved outcomes of better institutions, policies and performance that will generate economic growth and employment, at both the national as well as the regional levels. The new Bank Strategy, especially in view of its country-specific, is timely and appropriate to equip the Pacific Constituency Members in addressing such challenge.

15. We welcome the G8 Plan of Action on Climate Change and we encourage the Bank to increase investment aimed at tackling climate change, increase support for small vulnerable island state through increasing financial support to the Global Environmental Facility (GEF). This is a global issue that requires not only the Bank, but also requires a more broad and concerted effort on the developed as well as the developing countries.

16. Within the context of our development goals, ranging from economic growth to security, our leaders have endorsed a strategic framework called the “Pacific Plan” which consists of a few key principles aiming at enhancing regional cooperation and integration.

17. The Pacific Plan has a timeframe of ten years, and, being a regional development manifesto for all the island countries in the Pacific, such plan provides an opportunity for the Bank and the Fund to engage better with the Island member countries, and with the Pacific Islands Forum, to support regional cooperation and integration.

18. We are encouraged by the World Bank Group’s recent increased commitment towards improving relationship with the Pacific island member countries and their key development partners. We welcome this initiative to work alongside the Bank, the Fund and our other development partners to harmonize donor assistance, and enhance our development efforts.

19. Given infrastructure’s vital contributions to growth, poverty reduction and achievement of the MDGs, the Pacific Constituency welcome the Annual Meetings’ renewed focus on infrastructure with an assessment on the progress that had been made to tackle infrastructure challenges and the pending challenges on the optimal levels of

infrastructure investment that will ensure sustained growth. As you rightfully referred to in your excellent speech yesterday, it is with infrastructure that all other development goals and objectives such as the MDGs, will easily be achieved.

20. The Pacific Constituency has enjoyed donor funding for infrastructure development, but access to basic public services still remains limited and service provision is, therefore, inadequate. Inadequate allocations for infrastructure maintenance have led to poor infrastructure in our countries, and many times scarce resources are put towards operating and maintaining infrastructures that have little or no economic return. Indeed, this must change.

21. In view of The Infrastructure Action Plan of 2003, we are pleased to note that total Bank lending for infrastructure in FY05 has reached over \$7.4 billion, making up 33 percent of the Bank's total portfolio. We are also pleased to note that not only the lending volume has increased but lending quality has also remained high.

22. The Bank's business in this sector also involves a number of non-lending services, and we are cognizant of the Bank's utilization of such services in its new Pacific Strategy. The Bank plans to work with our constituency members to initiate innovative public partnerships and draw lessons from other appropriate regional and national infrastructure projects to help the Pacific island member countries put in place, necessary reforms to enhance coordination, accountability and capacity in infrastructure management.

23. There is consensus that those who use aid towards poverty reduction programs are effectively utilizing aid. When countries fight poverty through sustainable development, with good performing institutions in place and practice sound economic management in fiscal and monetary terms, aid is being put to good use. Good governance, rigorous budgetary processes and investment-friendly climate also play a role in a country's effective use of aid.

24. Our Pacific constituency members have had our share of both progress and challenges in these trends, and we are continually committed to developing our small economies with the inflows of aid.

25. Donors have a significant role to play in ensuring that aid is effectively used. Their policies and procedures must reinforce such trends. It is within that context that we welcome the Bank reports on 'Aid Effectiveness' and 'Aid Financing and Conditionality'.

26. Finally, I would like to express our deep and sincere appreciation to the staff and management of the Bank and the Fund for their tireless efforts in promoting the needs of our Constituency. We very much appreciate your continuous support and assistance. On our part, we are ready to exert our share in developing our countries and working with you as we venture further into this new millennium. Thank you.