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Statement by the Hon. **NATAN TEEWE**,
Governor of the Fund and the Bank for **KIRIBATI**,
on Behalf of the Federated States of Micronesia, Kiribati, Marshall Islands, Samoa,
Solomon Islands and Vanuatu,
at the Joint Annual Discussion

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Chairman,
Fellow Governors,
Ladies and Gentlemen.

Warm Greetings from the Pacific. It is a great honour for me to deliver a statement on behalf of the Pacific Constituency comprising the Federated States of Micronesia, Kiribati, the Marshall Islands, Palau, Samoa, Solomon Islands and Vanuatu.

Our member nations, with a population of over 1.2 million people, are scattered over several thousand kilometres of the Pacific Ocean. They are different in a lot of ways but they do also share a lot of common economic features. They have common problems of isolation from the major markets; they have narrowly based economies and they are very vulnerable to the impact of climate change.

We meet here at a time of great uncertainty. The current financial crisis, coupled with the soaring food and fuel prices, that pose a threat to economic stability world-wide, has also a great negative economic impact in our region. We are already feeling the pressure of these events, which could undermine the gains made through programs of reform. These events have placed considerable hardship on our people.

Over the years we have been undertaking wide ranging reforms to build our economic strength. Whilst the process has been slow for some, generally we have moved forward. To achieve great economic growth we have to take advantage of our disadvantages; we have to be accountable to our people and we have to manage our resources to the best we can. We view economic growth not so much in terms of increase in GDP numbers, but more in terms of providing a better life for our people, now and in the future.

Unemployment has been a problem in our region. We have to look outside our individual countries for job opportunities for our people. We are grateful for the opportunities provided by our developed partners. I would like to mention the Recognised Seasonal Employment Scheme initiated by the New Zealand Government. Not all our members are involved under the scheme. However, for those who are involved, the scheme has created the opportunity for employment in New Zealand for a limited duration. People employed

remit a portion of their income to their families in their respective countries. The scheme has a positive development impact to the lives of many families, as well as to the individual economies. Still its initial stage the scheme has its problems, but no doubt and through time, things will improve. The Australian Government has announced the development of a similar scheme. We are anxiously looking forward to the implementation of it. We pray that in the very near future other developed countries will develop similar schemes to assist those of us who are by our very nature, unfortunate.

With telecommunications, there have been significant efforts Pacific- wide to open up the telecommunications sector after years of monopolistic regimes. Given our isolation and scatteredness over a wide area of ocean, an efficient and affordable telecommunications system, would encourage private sector investment which will in turn, contribute to our economic growth.

Air transportation, for some if not all of us, needs a lot of improvement. The significance of tourism to our economies requires efficient airline operations that offer improved connections. Something more than just a regional approach may be required. Developed countries in the region may be in a position to offer an answer with the support of our development partners.

Climate change has been our chorus in our region and it will continue to be our chorus in the future. It is our chorus because we are the most vulnerable to its negative impacts. We are the least contributors to green house gas emissions, but we are the worst affected to the extent that some islands may disappear for good as a result of sea level rise. Climate change is an issue of critical importance to our region, in particular the low lying atoll countries.

While we support the Bank's engagement in climate change, we at the same time pose a question, "Is that enough to answer our worries?". When will be the time to put our pens down and start with tangible work to reduce the negative impact? Why are we scaring our people with problems of climate change and not assist them resource wise, to counter the realities of climate change that they are facing? We welcome the establishment of the Climate Investment Fund and the emphasis on adaptation and renewable energy sources, but we still have to see how effective these funds in overcoming our worries.

With the rise in oil and food prices we are faced with the serious challenge of dealing with widening external and internal imbalances. With such increases our people barely cope with their family needs, in terms of food, electricity, transportation and so forth. There is growing signs that our people are facing hardship and are beginning to demand for some form of relief.

After years of being neglected (and excuse me for saying that), we welcome the increased Bank involvement in our region through the Sydney Office, establishment of the country office in Solomon Islands, and satellite offices in Tonga, Samoa, and the placement of Bank staff at the Pacific Financial & Technical Assistance Centre (PFTAC) office in Fiji. We believe that, with those arrangements the Bank's understanding of our particular needs will be enhanced and hopefully will improve the Bank's response to those needs.

We are aware that the next Regional Framework is in its final stage and will be ready soon. We would again like to reconfirm our preference for increased analytical work and more strategic focus at the country level. We look forward to being closely involved in the consultations and the formulation of the next Pacific Strategy.

Regional initiatives present the opportunity to deliver assistance to benefit a number of recipients which might otherwise be less cost effective to deliver on an individual basis. High transaction cost of doing business given our small size, small population, and islands scattered across a vast area make regional and sub-regional approaches much more attractive. We have regional entities working well to serve the interests of the Pacific. We have the Pacific Plan which has been endorsed by Pacific Leaders, as a source of ideas on regional priorities. And we have the Fund and Bank engaged in the Pacific. Yet there seems to be little practical partnership taking place in support of regional initiatives. We believe there are opportunities for real impact to take place with improved collaboration. I therefore urge the Fund and the Bank Group to coordinate their programs closely with the Pacific Plan initiatives to ensure complementarity and deliver optimum outcome.

Private sector development has been propagated as the engine for economic growth. In our region, private sector growth has been disappointing. We believe we have created a favourable environment and put in place appropriate governance structures and best practices, but there are only a few businesses established and not many foreign investors show interest. The 2009 Doing Business Review ranks most Pacific countries below 100 with the best performer at 39, yet there is no positive reward in terms of new investments. We want to understand the missing part of the puzzle and we believe the Fund and the Bank Group should assist us with better analytical work and realistic advice.

We welcome the progress made on voice and quota reform in the Fund and we always believe that the interest of all members should be accommodated. To ensure that we are not left out the Bank should serve us at the ground level by providing an improved Bank-Country relationship, an improved standard of service, an improved Bank Management accountability and an innovative approach to promote Bank exposure to under represented regions.

We appreciate the way small states are treated in the IDA15 framework. The proposed resource allocation to reflect our special situations is a step forward. The increased IDA resources to the Pacific countries will help a lot in achieving our Millennium Development Goals within the stipulated timeframe.

Mr Chairman, I would like to conclude by acknowledging on behalf of the Pacific Constituency, the improved collaboration we now have with both the Fund and the Bank Group, and we look forward to a continued meaningful partnership and practical outcomes that will help raise the quality of life of our people.

Thank you for your attention.