

WORLD BANK GROUP

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INTERNATIONAL DEVELOPMENT ASSOCIATION
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Statement by the Hon. **NICKEL LEE HANG**,
Governor of the Bank for **SAMOA**,
on Behalf of the Federated States of Micronesia, Kiribati, Marshall Islands, Republic of
Palau, Samoa, Solomon Islands and Vanuatu,
at the Joint Annual Discussion

**Statement by the Hon. Nickel Lee Hang, MP
Governor of the Bank for Samoa,
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Mr Chairman,
Fellow Governors,
Ladies and Gentlemen.

Let me, at the outset, acknowledge with heartfelt appreciation the condolences expressed by the Bank and Fund as well as the many delegations in the aftermath of the tsunami that devastated Samoa and Tonga last week. We are also grateful for the willingness and commitment on the part of the donor community to help with the relief and reconstruction efforts.

Mr Chairman, it is a great honour for me to address the 2009 Annual Meetings of the International Monetary Fund and the World Bank Group, on behalf of the Pacific states comprised of Kiribati, Republic of the Marshall Islands, the Federated States of Micronesia, the Republic of Palau, Samoa, the Solomon Islands and Vanuatu.

Financial Crisis

We meet at a time when the global financial crisis has reached unprecedented levels and having a devastating impact on the daily lives of our people as well as posing a real threat to the achievement of our Millennium Development Goals. The crisis has also threatened to undo all the gains that we have achieved over the years as a result of the reforms that have been implemented to restructure our economies, placing at risk the achievement of our medium- to long-term objectives. But the crisis is an external shock that is no fault of ours.

From that perspective, we call on the World Bank and the Fund to be responsive to our needs as a top priority. Most of us are now running mounting fiscal deficits in an attempt to stimulate economic activity. We have resorted to heavy borrowing to prop up the substantial decline in revenue we now face and this has raised the issue of debt sustainability and our ability to meet our debt obligations in the future. We acknowledge a lot has been done to address the impacts of the crisis including the enhancement of the roles of the Fund, the World Bank and other multilateral institutions for more effective surveillance of financial markets to avert future financial and economic crisis of such devastating impact that the world has encountered. The question remains though if enough has been done to prevent a crisis of such nature repeating itself.

Fortunately, some promising results are beginning to emerge. But for small island economies it remains a significant uncertainty as we do not have the economic resilience to bounce back quickly from the lagged effects of such a phenomenon.

The question is, what more can the Bank and the Fund do to help us?

Are there lessons we could take from this experience? For our part, we want to see more analytical work to understand what we could do better to ease the impact of similar economic disasters. We would also like to see more flexibility on the part of the Bank in terms of the types of assistance they can give. In this vein, we call on the Bank to seriously consider the possibility of providing direct budget support in a timely and flexible manner as emergency assistance. As well, the Bank should seriously consider innovative and practical measures to assist small economies ease the burden imposed by such disasters.

Climate Change

We would like to emphasise the importance of not losing sight of the climate change agenda in the current economic environment. The visible effects of climate change we are now witnessing on a global scale is frightening for the Pacific and in particular the low-lying atolls. The earthquake and tsunami that struck the Samoa Islands and Tonga last week clearly demonstrates how vulnerable we are to such disasters. Mr Chairman, without immediate, comprehensive and concerted action by the international community, the future of our countries is greatly at risk. In that context, we cannot overemphasize the fact that effective development and implementation of adaptation and mitigation initiatives is absolutely critical for our survival. We acknowledge the work on the Climate Investment Funds and the Pilot Program for Climate Resilience as well as the GEF process but accessibility to these funds remains an issue. How can we better access these facilities?

Bank/Fund Presence in the Pacific

We acknowledge the increased Bank decentralisation process in our region through the establishment of the country office in Solomon Islands, two liaison offices in Tonga and Samoa and in Vanuatu soon, as well as the placement of Bank staff at the Pacific Financial & Technical Assistance Centre (PFTAC) office in Fiji. We believe the Bank can do a lot more for the Pacific and this increased engagement will no doubt enhance the quality of service and responsiveness to our particular needs.

In the same context, we look forward to hosting the World Bank Managing Director when he visits the Pacific later this month. I would also like to acknowledge the efforts in processing Tuvalu's membership of the Fund and call on the Fund and the Bank for assistance to ensure this becomes a reality soon.

Voice and Participation

On Voice and Participation, we agree that this is important, and acknowledge the symbolic value of increased voice which has warranted a larger number of basic votes for the Pacific member states. However, the real issue from our perspective is the quality and effectiveness of Bank and Fund services to the Pacific. How responsive is the Bank and the Fund to the issues most important to the PICs? We have seen a great improvement over the last few years and commend the authorities for this positive development. However, we contend that there is room for improvement.

Regional Cooperation

Regional cooperation offers potential gains for the Pacific island countries. Unfortunately, we do not see a practical partnership between the Banks regional programs and the regional initiatives such as the Pacific Plan. We believe there are opportunities for real impact to take place with improved collaboration between the Bank, other multilateral institutions, and bilateral donors operating in the Pacific with our regional institutions. We, therefore, urge the Fund and the Bank Group to coordinate their regional programs closely with the Pacific Plan initiatives to ensure complementarity to deliver optimum outcomes.

Private Sector Development

Private sector development is essential for sustainable economic growth in our region. But, unfortunately, private sector growth has been disappointing. After creating a conducive business environment and putting in place appropriate governance structures by some of our member states, there are still only a few businesses established and not many foreign investors show interest. We call on the Bank Group and the Fund to do more analytical work to determine what we could do more in terms of policies to attract foreign investment to our region. This could include examining the appropriate investment incentives framework that will make a difference in attracting foreign investment. The IFC should also consider the viability of a multi-country project framework to overcome the challenge of the lack of economies of scale.

We welcome the focus by the IFC on improving access to credit, ranging from micro finance to reviewing support of our infrastructure needs in telecommunications, transport and renewable energy. We would also like the Bank and IFC to provide guidance and support to the development of public/private partnerships in those sectors where governments would best play a policy and regulatory role, or else share with the private sector, the operation of para-statal enterprises on a more sound commercial basis.

Remittances

Remittance is a life line for most of our economies. The Recognised Seasonal Employment Schemes currently offered by Australia and New Zealand have created the opportunities for short term-employment for many Pacific Islanders. They have provided expanded opportunities for our people to work overseas and remit a portion of their income to their families at home thereby raising the level of foreign exchange to help meet our external payments. Unfortunately, the economic downturn in the source markets have seen the level of remittances slow down. This is the reality we face which means we have to look at ways to encourage the level of remittances as well as policy options to make best use of these funds in the recipient countries. In that light, we would like the World Bank to examine the use of new technologies (e.g mobile phones, bank cards, internet banking, etc.) as a means to remit funds, which, hopefully, will reduce the cost of remittances. As well, the viability of establishing a facility to encourage and facilitate the productive use of remittances could also be looked into.

Pacific Regional Infrastructure Facility (PRIF)

We welcome the establishment of the PRIF and the augmentation of resources this facility will bring to supplement, as well as complement, infrastructural programs of our respective member countries. The Bank and other donor agencies involved such as AusAID, NZAID and ADB will ensure there is more efficient application and improved coordination of resources.

Conclusion

Mr Chairman, I would like to conclude by expressing our appreciation to the management and staff of the World Bank through the Sydney Office, and the Fund through the Pacific Financial Technical Assistance Centre for their ongoing commitment and support of our development objectives. We continue to benefit from the financial and technical advice provided especially from the offices located in the Pacific. We look forward to an enhanced partnership to complement our efforts to improve socio economic development of the people we serve and achieve better outcomes for sustainable development of our small island economies.

Thank you for your attention.