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Statement by the Hon. **CASMIR REMENGESAU**,
Governor of the Bank for the **REPUBLIC OF PALAU**,
on behalf of the Federated States of Micronesia, Kiribati,
Republic of the Marshall Islands, Samoa, Solomon Islands, and Vanuatu,
at the Joint Annual Discussion

**Statement by the Hon. Casmir Remengesau,
Governor of the Bank for the Republic of Palau,
and on behalf of the Federated States of Micronesia, Kiribati, Marshall Islands (Republic of),
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Mr. Chairman,
Honorable Colleagues,
Distinguished Delegates,
Ladies and Gentlemen,

I am very honored to address this fifty-seventh Annual Meeting of the International Monetary Fund and the World Bank Group on behalf of the members of the Western Pacific comprised of Kiribati, the Republic of the Marshall Islands, the Federated States of Micronesia, the Republic of Palau, Samoa, the Solomon Islands and Vanuatu.

Let me begin by saying that the New Millennium has not, as yet, been kind to the development aspirations of our Pacific Island countries. Beginning with the Asian Crisis leading into the new century, we have faced, sequentially, the impacts of the U.S. Stock Market Crash, the events of 9/11, the war in Afghanistan, the Iraqi War and the SARS Outbreak, along with other regional events.

While these worldwide events certainly affected all of the people of the World, they were particularly challenging to our small island nations due to our small size, our dependence on tourism, our vulnerability to external shocks, natural and economic, and our one-dimensional economies. These negative impacts are a mere reflection of much broader and very unique development issues, including a very limited range of natural resources, significant isolation from major markets, substantial impediments to developing trade and industry, limited manpower and technical capacity and a limited number of legitimate development options. Because of these limitations, our economies have grown at a rate of less than 1% over the past 30 years. Unfortunately, this economic growth has not kept pace with a corresponding population growth of over 3% during the same period.

This is reflective of the difficult task faced by both the international community and the governments in the Pacific, to find effective solutions to encourage private sector growth. It is also reflective of the limited role of the Bank that has not allowed it to fully engage in the Pacific with a broad spectrum of programs and funding opportunities. We therefore look forward to a new "Pacific Strategy" for our region and are hopeful that the upcoming Bank Country Assistance Evaluation (CAE) will recognize that, as full members of the Bank, full Bank services must be provided.

This new Pacific strategy must include a commitment of people and funding if it is to find success. This expanded involvement must first support the productive sectors, including fisheries, agriculture, tourism and light industry. It must also focus on public sector expenditure management. In order to strengthen the mid levels of the public sector that have become weakened and are a key to better service delivery and project management, it must support civil service adjustment. Above all the strategy must recognize that past lending support has been too limited and that such funding access is primary to the development of a modern infrastructure. Finally, the Strategy must be all embracing, taking into account the differences in the sizes and the types of nations in the Pacific as well as the broad development needs and processes in the Pacific.

Over the years many studies of our unique economies have been undertaken by the World Bank and the IMF, as well as other regional and international organizations. While we appreciate this assistance to better define our needs, we believe that it is time to move forward and establish stronger and more diverse practical programs and funding mechanisms that will allow our private sector to expand at every level. This requires better donor coordination and harmonization to better define the role of the Bank and the Fund in the Pacific in relation to other regional donor organizations. It also requires greater local recruitment in projects to ensure future continuity.

Within this context, the special circumstances of small states must continue to be taken into account by our development partners. For the World Bank, this should entail a continuation of a flexible approach to the graduation of small states from concessionary financing. On behalf of the Pacific constituency, I ask that the small state exception in terms of IDA eligibility that was negotiated under IDA 13 be continued in IDA 14.

We also look forward to a more widespread participation by the IFC through both its central office and the South Pacific Project Facility (SPPF), now known as the Pacific Enterprise Development Facility (PEDF). The SPPF was a prime example of the Bank's excellent on-going efforts to bridge the gap between capacity building and the development and financing of private sector projects. Through fine and energetic staff work, the SPPF has brought greater business insight to the Pacific region, and for this we are grateful.

However, we are concerned that the new operational strategy for PEDF as articulated during the recent Donor's Meeting will diminish the effectiveness of IFC's engagement in the Pacific. Rather than expanding programs and funding opportunities, there has been a move toward an aggressive approach to the application of fees in those instances where these are still charged. In addition, greater focus on cost containment has resulted in significant changes in representational and consulting activity.

While we appreciate this concern over costs, we fear that the original vision of SPPF is being lost in the roll out of the new PEDF. That vision included not only the upgrading of business skills and planning capabilities, but also indirect and direct funding of private

sector projects through the IFC's Pacific Island Investment Facility. In this regard, rather than receding and retrenching, we would request that the IFC, through both the PEDF and its central office, move forward with even greater vigor and vision. This means that we must be creative in identifying and making available valid alternatives to domestic commercial institutions; avoiding duplication of services by donor organizations; and building on success models in the Pacific region

Clearly, sustainable development is the only viable window into a bright future for the countries in the Pacific region and, for that matter, in the world. Such development requires a two-pronged approach that focuses on both technical capacity and access to capital markets. We therefore offer our thanks to the Bank and the Fund for their expanded involvement in the Pacific region over the past five years. This enhanced participation in our efforts to develop has continued to focus on technical capacity. We therefore further extend our gratitude to the Pacific Financial Technical Assistance Centre (PFTAC) located in Fiji for its efforts to improve our tax policies, governmental statistics and our overall financial systems.

Within the context of this generous assistance, we are ready and willing to make the hard decisions and institute the necessary reforms that will permit the success of these initiatives. In fact, we have, over the last decade, made great strides in expanding our capacity, strengthening our economic management and improving our institutional environment through a broad variety of legislative and administrative reforms. We recognize that good governance is just as important as capacity and good projects and we will continue to work diligently to improve in this area.

In the area of trade, we are proud to announce the entering into force of two regional trade agreements, PICTA and PARTA, each which will require expanded technical capacity and which should eventually lead to expanded trade opportunities and a reduction in the cost of engaging in international trade. We appreciate the advocacy role played by the World Bank and the Fund in the area of trade and would continue our request for assistance in the implementation of our proposed Regional Trade Facilitation Programme.

In like manner, we are moving forward in our efforts to enact law enforcement and banking legislation to combat money laundering under our own Honiara Declaration, as well as establishing a regional framework, including model legislation, to address terrorism and transnational organized crime.

Recognizing that Small Island Developing States (SIDS) are uniquely vulnerable to global weather events, the Pacific Islands have moved rapidly to identify and implement a wide range of adaptation options and are committed, with your able assistance, to be proactive in the development of appropriate, affordable and cost-effective adaptation response measures. We therefore extend our sincere appreciation to the Bank for its generous co-sponsorship and co-organization of the Second High Level Adaptation Consultation and Third Climate Change Roundtable held in Fiji, which led to an

agreement on a Regional Adaptation Funding facility for our islands. We also see great opportunity to deal with climate variability and the risks of sea level rise through the vulnerability and adaptation Pacific Type 2 Initiatives that were launched at the WSSD and would seek assistance in the identification of partners and implementation of initiatives.

This being said, we recognize that the impact and effectiveness of our domestic efforts to respond to a global crisis created by our developed partners are limited. We therefore renew our call for urgent action to be undertaken to reduce greenhouse gas emissions and for there to be further commitments in the future by all major emitters. We also continue to call for the ratification of the Kyoto Protocol under the UN Framework Convention on Climate Change (UNFCCC).

On the broader issue of sustainable development, we would call for our international partners to live up to the principles of Agenda 21, as agreed upon by all of us during the Earth Summit in 1992, by fulfilling our agreed upon obligations as augmented by the Millennium, Doha, and Monterrey Declarations. We would also seek support in preparing for the Ten Year Review of the Barbados Program of Action. In our efforts to bring about sustainable development, we strongly support the Global Environment Facility (GEF) and the active implementation of small grant schemes to promote grass roots initiatives in our countries. If we are to achieve the Millennium Development Goal of halving poverty by 2015, such grant schemes, along with other grant and concessionary loan schemes must be expanded.

The nations of the Pacific have demonstrated their support for the Solomon Islands during its difficult period of reconstruction through the Biketawa Declaration. Our leaders have welcomed the signing of a multilateral agreement to support the Regional Assistance Mission to Solomon Islands (RAMSI) in order to address law and order and the economic situation in the country. We note with great pleasure the action of Australia in clearing the Solomon Islands arrears with the World Bank and the Asian Development Bank. In this vein we would seek the assistance of the Bank and the Fund to assist in the reconstruction of the country and to actively seek ways and means to alleviate its debt burden.

This multilateral approach, with the assistance from the Bank and the Fund, as well as other international institutions, must also be applied to combat HIV/Aids in our region. We commend the Bank for its commitment to fight this deadly disease worldwide and we welcome your on-going support for the Global Fund for Fighting Aids, Tuberculosis and Malaria.

Finally, I would like to express our deep and sincere appreciation to the staff and management of the Bank and the Fund for the tireless efforts on behalf of the Pacific Islands. We recognize that the world's resources are limited and that the provision of aid to every region in the world must take this into account. We only seek our fair share of

such resources. We are ready to do our part to improve and expand our opportunities and to work with you on our road towards sustainable development.

Thank you Mr. Chairman.