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Statement by the Hon. **RATU JONE YAVALA KUBUABOLA**,
Governor of the Bank for **FIJI**,
at the Joint Annual Discussion

**Statement by the Hon. J. Y. Kubuabola,
Governor of the Bank for Fiji,
at the Joint Annual Discussion**

Mr Chairman and fellow Governors, it is a great honour for me to address the Board of Governors of the International Monetary Fund and the World Bank Group at the fifty-eighth joint Annual Meetings. I would also like to express, on behalf of my delegation, our sincere appreciation to the host, Dubai, as well as the government of the United Arab Emirates, for their warm hospitality and the excellent arrangements made for this meeting. I also congratulate you, Mr Chairman, in chairing the meetings this year.

There have been many serious developments on the international front since we last met in Washington. The war in Iraq has ended but the world continues to face the huge challenge of reconstructing the country's economic, social and political systems. The search for lasting solutions to the threat of terrorism continues. This year, the outbreak of the deadly SARS virus affected the South East Asian region severely and, by extension, some of our economies which have trade relations with the Asian countries affected.

We certainly live in uncertain and volatile times. Mr. Chairman, this fragile environment depresses world growth and makes the future very unpredictable. Whilst the IMF has forecast an improved outlook for the world economy, we are concerned with the uneven and low growth amongst developed countries. We are even more concerned that this climate makes it extremely difficult for developing members of the Bretton Woods' institutions to find lasting solutions to their economic problems. As the global village becomes smaller, the ramifications of international developments such that we have seen in the last twelve months, are rapidly transmitted to all parts of the globe.

Mr. Chairman, we in Fiji, a small island economy in the middle of the large Pacific Ocean, are not immune from these developments. The impact of SARS and the war in Iraq affected our tourism sector, the largest industry in our country. Furthermore, these adverse developments complicate the high level of vulnerability that we already face from our small size, remote location, scarce resources and very thin and undeveloped markets.

Nevertheless, we are making our contribution on efforts to deal with these global challenges. Fiji has made a lot of progress to counter money laundering and terrorist financing. This year, we are concentrating on implementing the recommendations from the Asia Pacific Group on Money Laundering Mutual Evaluation Exercise that was carried out last year. Recently, we established an interim Financial Intelligence Unit to strengthen our surveillance and monitoring of suspicious financial transactions. The Unit will be formally established after passage of appropriate laws, which were drafted through International Monetary Fund technical assistance.

At the same time Mr Chairman, Fiji is doing all it can to comply with international codes and standards even with the scarce resources that we have. Last year, we participated in an IMF review of Code of Good Practices on Fiscal Transparency. In August this year, we have completed a Report on Observance on Standards and Codes (ROSC) conducted by the IMF, to evaluate Fiji's compliance with the Codes of Transparency in Monetary and Financial Policies. Fiji has also scheduled to have a Financial Sector Assessment Program (FSAP) within the next two years. These assessments, which we agreed to do voluntarily, reflect Fiji's commitment to lift transparency and promote good governance in all areas of its policy development and decision making processes. However, these procedures should remain voluntary and I urge the Fund not to make the ROSC and FSAP a condition of its assistance to member countries.

Mr. Chairman, with a population of less than one million people, Fiji has limited manpower and technological capacity and we must be given the time and the resources to deal with compliance to international codes, which are increasing in both number and complexity. Our limited capacity to handle this task is exacerbated by the continued loss of our skilled and trained human resources to other countries. The direct and indirect cost of this brain drain is enormous to our small island economy. It seriously affects our productivity and our ability to compete in the world market place. The need for more training is paramount and we call for assistance from our bilateral partners and multilateral institutions to help us address this pressing national issue. At the same time, we request more coordination and sharing of information amongst multilateral and donor agencies. This will lighten our load in providing data and minimise repetitive consultations with individual donors and agencies.

Mr Chairman, let me provide an update on the political and economic developments in Fiji. The country returned to full parliamentary democracy after the general elections in 2001. Political stability is fully restored in Fiji. As a reflection of the political calm, I am glad to report that the Fiji's economy continues to forge ahead registering consecutive growth since 2001. Economic growth this year is forecast at around 5 per cent. For the next two years, we expect growth to be close to 4 per cent. Our economic fundamentals are supportive of future growth with inflation low, foreign reserves at adequate levels and government debt moderate. Business confidence is growing.

Like many developing countries, Fiji needs to attract investment to continue to maintain adequate growth levels which can support employment of our people. While investment is still relatively low at 13 per cent of GDP, we are encouraged by the pick up in the last twelve months and we are confident that we will achieve our target of 25 per cent of GDP in the medium term. We are at the same time undertaking reforms in the public service and public enterprise sector that will improve our operational efficiencies and raise the productivity of investment in Fiji. With this combination, together with macroeconomic stability, we are hopeful that Fiji will lift its medium term growth rate to around 5 per cent per annum.

At this point I wish to make several comments on some issues concerning the Bretton Woods institutions.

First, Fiji firmly supports the early start on the 13th review of the IMF Quotas. While I fully appreciate the need to link the review to the adequacy of the Fund's resources, I am also convinced that the review is still useful in examining the roles of IMF quotas in the governance of the Fund and in eliminating the existing misalignments in members' allocation.

Second, the Monterrey Consensus and the Doha Declaration have set out the principles and mutual responsibilities that will enable the international community to wage an effective war against global poverty. Increased trade opportunities provide the best means of combating poverty in developing countries. I, like others, regret the failure of the Cancun round of trade negotiations. I support the call by the International Monetary Fund and the World Bank on the World Trade Organisation for a quick resumption of trade negotiations. This sentiment was echoed by the International Monetary and Financial Committee and the Development Committee. In my view, it is important that we promote a spirit of partnership in trade negotiations and the WTO must ensure that the interests of both the developed and developing countries are taken into account during negotiations. To complement these efforts, the Bank must move forward and adapt existing tools and design new programs that will provide resources to developing countries to reform their trade regimes, strengthen trade-related institutions and boost investment in infrastructure.

Third, I urge the Bank and the Fund to increase and sharpen their efforts to assist developing countries, including small island states, take advantage of the opportunities and meet the challenges arising from globalisation. In my view, the Bretton Woods institutions can only be effective development partners if their operations and assistance are based on sound knowledge of developing countries and their development challenges. In this regard, I wish to underscore the importance of ensuring that the Poverty Reduction Strategy Papers (PRSPs) and Poverty Reduction Growth Facility (PRGF) are genuinely country-owned and that financial support including aid is provided by development partners on a sufficient scale and in a predictable manner. In addition, I urge the World Bank to simplify its loan conditions and procedures. On the issue of enhancing the voice and participation of developing countries in the decision making process of the Fund and the Bank, in my view, the immediate step is to enhance the capacity of Executive Directors' offices in both the Fund and the Bank. Furthermore, the Bank would need to strengthen its in-country capacity building through local and global development learning networks and further decentralise its operations with the ultimate goal of responding to the needs of members effectively.

Fiji has benefited greatly in the past from the assistance of the IMF and the World Bank. To conclude, Mr Chairman, I would, therefore, like to thank the International Monetary Fund and the World Bank for technical assistance provided over the years to Fiji and acknowledge the work done by the IMF Pacific Financial Technical Assistance Centre (PFTAC) in Suva and the World Bank Pacific Regional Office in Sydney. I look forward to the continued support of the two institutions over the next year.