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Statement by the Hon. **BARRY WHITESIDE**,
Governor of the Fund for the **REPUBLIC OF FIJI**

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Mr. Chairman,

Fellow Governors,

Distinguished Delegates,

Ladies and Gentleman,

It is an honour for me to deliver this address on behalf of the delegation from the Republic of Fiji, on the occasion of the annual meeting of the International Monetary Fund (IMF) and the World Bank. Before I proceed further, let me thank Madame Christine Lagarde and Mr. Jim Yong Kim for their able leadership of the two prestigious institutions, especially through such challenging times.

Mr. Chairman, the global economy continues to recover, albeit at slow and uneven speeds. While the improved prospects noted in the United States, Japan and the Euro zone are encouraging, the slowdown in the emerging and developing economies will remain a challenge. Prevailing uncertainties and downside risks, which dominate the global economic outlook, underscore the need for more active international collaboration in the calibration of appropriate policies to meet global challenges.

Unconventional and unprecedented policy responses by major advanced economies have not only helped the global economy avert a second great depression but also helped it diffuse immediate risks to the global growth. As a result, the world economy is in better shape, although the road to a robust and comprehensive recovery remains bumpy. The changing growth dynamics and the anticipated exit from unconventional monetary policy, in particular the start of normalization of US monetary policy, will pose new policy challenges, especially for emerging market economies. As such, managing these transitions with the right policies through international policy coordination and cooperation will be critical to ensure a strong and sustainable global recovery.

Mr. Chairman, we commend the IMF for its key role in global efforts to maintain global financial stability. As a forum for international policy cooperation, the Fund, through its continued surveillance and monitoring, has effectively challenged and helped countries implement relevant policies to mitigate the risks of economic and financial instability. We welcome the Fund's efforts to greater even-handedness and more comprehensive and effective surveillance practices and look forward to the effective implementation of the new Integrated Surveillance Decision which aims to improve bilateral and multilateral surveillance efforts.

I commend the IMF in its endeavours to help enhance the capacity of its member countries, so that they are able to better manage risks and opportunities, to achieve sustainable growth and development. The recent opening of the African Regional Training Centre in Mauritius and the introduction of IMF online training courses is a testament to this commitment. In Fiji, we appreciate the IMF's continued assistance to the Government, central bank and national statistics office on capacity building through the Pacific Financial & Technical Assistance Centre (PFTAC) located in Suva. The quality of assistance and close engagement between the Centre and our national agencies has improved over the years. Regional training workshops organised by the PFTAC have helped enhance the technical skills of our people and strengthened their professional ties with our regional counterparts. We look forward to continued Fund support towards training and capacity building in the future.

Mr. Chairman, we support the quota and governance reforms which are crucial in strengthening the credibility and effectiveness of the Fund, and welcome the positive progress made towards establishing the Fourteenth General Review of Quotas and Board Reforms. We remain committed behind the Fund's efforts towards reaching consensus on the Fifteenth General Review of Quotas under the spirit of global cooperation and compromise among Fund members. The review of the Fund's transparency policy is timely. The transparency policy played an important role during the global financial crisis and, in a period of rising global uncertainty, the Fund has contributed positively to increasing global awareness of risks and policy options, and responding to member countries in need through its lending activities.

Turning to the World Bank Mr. Chairman, we strongly support the current reform initiative and change process to enhance the World Bank Group (WBG) effort in realizing its twin goals of reducing poverty to 3 percent by 2030 and boosting shared prosperity by lifting income growth of the bottom 40 percent. The key elements of the reform will help the Bank align its development agenda with client country priorities. This is very important to shareholders and it calls for a much more active engagement by the Bank to better understand development needs and challenge of individual clients on the ground. In addition, the unique developmental challenge and risks facing small island economies, low income and conflict states must be at the forefront of becoming a "Solutions Bank".

Mr. Chairman, managing risks is crucial for big ocean states. According to World Bank estimates, Fiji is expected to incur, on average, US\$79 million per year in losses due to earthquakes and tropical cyclones. The important emphasis placed on "Managing Risks for Development" in the 2014 World Development Report (WDR) is encouraging and timely. The WBG report examines how improving risk management can lead to larger gains in development and poverty reduction, by systematically mitigating the negative impacts of shocks and hazards, and at the same time enabling people to pursue new opportunities for growth and prosperity. Mr. Chairman, this forms the crux of the

dilemma the world is facing today during this period of sluggish growth in the post Global Financial Crisis (GFC) period.

In line with the 2014 World Development Report theme, we in the Pacific region are thankful for the ongoing investment being carried out by the Bank, in collaboration with the global community, towards helping Pacific islands adapt to climate change and build resilience towards disasters. In addition, we also applaud the extensive development assistance given by the Bank towards strengthening the effectiveness of major safety net programs in developing countries.

We note that the Bank's engagement with Fiji has been limited since December 2006. However, we are hopeful that a mutually agreed clear and concise re-engagement path will be laid out soon given that Fiji is making solid progress towards parliamentary democracy.

Mr. Chairman, let me now turn your attention to recent developments in Fiji.

Fiji has come a long way from the sluggish growth rates recorded since 2006, due to the adverse impacts of domestic political challenges, natural disasters, high commodity prices and the global financial crisis. Spurts of economic recovery which started in 2010 have now fully blossomed despite the on-going sluggishness in our key trading partner economies.

The Fijian economy is estimated to have expanded by 2.2 percent last year following a 1.9 percent expansion in 2011. Growth prospects are expected to improve further to around 3.2 percent this year, supported largely by robust consumption and investment expenditure. Overall, all sectors of the economy, with the exception of the mining & quarrying sector, are envisaged to contribute positively towards growth. Mr. Chairman, the projected growth for 2013, if achieved, will be the highest since 2004 and reflects regained confidence in the domestic economy after a prolonged period of sluggish growth. The rebound in confidence has resulted from supportive macroeconomic policies and reforms in key areas by the Fijian Government, as well as the concerted steps taken towards achieving inclusive parliamentary democracy in 2014.

In light of the subdued global economic environment, fiscal and monetary policies have remained expansionary to support domestic demand. On fiscal policy Mr. Chairman, the Government has allocated significant funds towards capital expenditure in its 2013 National Budget. Although this allocation increased the budget deficit to 2.8 percent, it is a much needed commitment to improve accessibility, citizen safety, facilitate business activity and improve living standards in Fiji. Over the medium term, Government's consolidation plans should see its fiscal net deficit decline to 1.5 percent of GDP by 2015 while maintaining the current higher capital/operating expenditure mix.

The monetary policy objectives of low inflation and comfortable foreign reserves have remained intact throughout this year. Inflation, currently at 2.5 percent, has been on a

declining trend supported by stable international commodity prices, low inflationary pressures in major trading partner economies and absence of domestic supply shocks and is forecast at around 3.0 percent by year-end. Foreign reserves were above F\$1.8 billion in early October, equivalent to cover 5.0 months of retained imports of goods and non-factor services. Given that the monetary policy objectives have been met, ongoing policy has been kept accommodative to support domestic demand. The Reserve Bank of Fiji's benchmark interest rate, the Overnight Policy Rate (OPR) has been maintained at 0.5 percent since November 2011 and the financial system has been kept awash with liquidity. This has translated to a decline in bank lending rates and increased private sector credit over time therefore providing the necessary impetus for a rebound in economic activity. In August, private sector credit expanded by 9.5 percent on an annual basis, while the average lending rate was at a historical low.

The recent IMF Article IV Mission to Fiji in August 2013 concluded that the near term growth outlook for Fiji is favorable, with the economy's potential growth at 5 percent. It agreed that the current accommodative monetary policy stance and the fiscal policy announced in the 2013 National Budget were appropriate. In addition, the mission confirmed that the banking sector was well capitalized; public debt was sustainable and positive steps have been taken on various structural reforms.

Mr. Chairman, nonetheless, Fiji remains vulnerable to external risks particularly, weak demand from our major trading partner countries and any huge depreciation in Asian currencies following unexpected shocks from advanced nations tapering of their stimulus programs. Fiji's heavy reliance on tourism, remittances and a narrow range of merchandise exports for foreign exchange earnings as well as on imports of fuel, food and machinery equipment exacerbates vulnerabilities in our external position.

In the area of reforms Mr. Chairman, Fiji adopted a new constitution in September this year which paves the way for parliamentary elections by September 2014. The new Constitution lays the foundation for genuine democracy in Fiji by incorporating the concept of one person one vote and supports the creation of a national identity by entrenching common and equal citizenry. The new Constitution also encompasses a secular state with religious liberty; an independent and impartial judiciary; a comprehensive Bill of Rights guaranteeing a range of civil and political rights and, for the first time, social and economic rights; an Accountability and Transparency Commission which, also for the first time, will hold all public office holders accountable; media freedom and freedom of speech and association; and safeguards for the environment. Additionally, the Constitution maintains and improves specific protection of the ownership of i'Taukei (indigenous) and Rotuman lands and recognition of their unique culture, customs, traditions and language whilst recognizing the culture and language of Indo-Fijians, other Pacific islanders and other immigrants who have made Fiji their home over the years. Over 80 percent of eligible voters have been registered for the 2014 general election.

The Fijian Government is continuing to implement other reform programmes and policies to strengthen good governance and facilitate socio-economic growth. Some of these reforms include rejuvenation of state owned enterprises through privatisation, capital injection and public private partnerships, substantial budgetary allocation to improve transport and communication infrastructure especially in the rural areas and increased social welfare benefits to the poor and needy.

Mr. Chairman, the Fijian Government has also pioneered the setting up the Pacific Islands Development Forum (PIDF) with the rationale of moving towards more inclusive growth for the Pacific. The new forum will be a catalyst for supporting sustainable development through a green economy in Pacific Island Countries (PICs) with an emphasis on identifying innovative solutions. The PIDF will work closely with international institutions and will, for the first time, bring together the state as well as businesses and civil society groups to confront the unique developmental and environmental challenges facing the PICs. Work has commenced on setting up a Secretariat in Suva whose central role will be to maximize the use of our scarce resources to achieve the Forum objectives of a united, distinctive and sustainable Pacific society.

Mr. Chairman, Fiji is determined to improve its international socio-economic standing through effective macroeconomic policies and necessary reforms and we are grateful to the Fund and the Bank for their continued assistance and guidance. We look forward to satisfactory re-engagement with our development partners in the coming year and reiterate our call to the Fund and the Bank as well as the international community to support our efforts towards building a modern, progressive and inclusive Fiji.

Finally, Mr. Chairman, I wish all the delegates a successful annual meeting.

Thank you.