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

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Mr Chairman
Fellow Governors,
Distinguished Delegates,
Ladies and Gentleman,

It is my privilege to deliver this address on behalf of the delegation from the Republic of Fiji, for the annual meeting of the International Monetary Fund (IMF) and the World Bank. Allow me to thank Madame Christine Lagarde and Dr. Jim Yong Kim for their leadership and guidance of the two esteemed institutions, as we continue to navigate through one of the most challenging phases in recent history.

Global Economic Outlook

Mr. Chairman, the fragile and uneven pace of the global economic recovery is expected to continue with increased downside risks, despite the setbacks experienced in the first half of the year. The recovery which is slower than expected, remains subject to uncertainties and has reflected much of the idiosyncratic nature of specific regions and countries. While advanced economies continue to be plagued by high unemployment, weak growth and deflationary pressures, there are some positive signs in some countries notably in the United States where growth prospects have improved. In the euro area, revival continues although remains tentative. Growth in emerging market economies are expected to increase moderately while robust growth performance is expected to continue in many low income countries. Notwithstanding the ongoing global economic expansion, risks from growing geopolitical tensions, emerging financial excesses, economic stagnation and emergence of new risks such as the Ebola outbreak, have intensified. This underlines the criticality for countries to implement appropriate policies and build stronger buffers that can support higher growth and contribute to global economic and financial stability.

Greater efforts are needed to help restore growth. Appropriate monetary and fiscal policies that will boost demand together with growth-enhancing supply side measures are essential to strengthen the economic recovery and boost long term growth. With reduced policy space and increased vulnerabilities in many economies, stronger policies are needed to rebuild

fiscal buffers and boost fiscal positions through greater revenue mobilization and rationalization in public spending. This will provide more flexibility for policy manoeuvre to manage shocks and strengthen resilience. At the same time, gradual fiscal consolidation is needed to allow for higher investment spending in priority sectors while ensuring the prudent management of public finances. A more supportive fiscal stance and enhanced fiscal frameworks will increase the benefits from structural reforms through greater economic diversification and higher potential growth.

Fiji's Resilience

Mr. Chairman, let me now turn your attention to recent developments in Fiji. When we last met a year ago, we outlined Fiji's concerted efforts to return to parliamentary democracy. I am pleased to announce that the transition has been completed. General elections were held in September under a truly democratic one vote one count system and were deemed fair and transparent by a large multinational observer team.

Major macroeconomic indicators leading up to the elections were positive, reflecting the overall improvement in business and consumer confidence. The Fijian economy expanded by 4.6 percent in 2013 following a 1.8 percent expansion in 2012. This growth was broad-based growth and was the highest since 2004. Supportive macroeconomic policies, key structural reforms, and concerted steps towards parliamentary democracy all played huge roles in bringing about this outcome. Growth this year, expected to be 3.8 percent, will be the fifth consecutive year of growth and unmatched since the mid-1990s. Fiji's favourable performance also comes at a time when recovery in the global economy and our key trading partner economies has been slow.

Fiscal policy over the last two years has been generally expansionary with the aim of fostering domestic demand. There have been higher budgetary allocations towards infrastructure, health, education and social transfers. Government debt as a ratio of Gross Domestic Product (GDP) has been declining and was around 49.3 percent of GDP last year, with external Government debt around 14.5 percent of GDP.

The monetary policy objectives of low inflation and comfortable balance of payments position have remained intact throughout the year. Inflation was 0.3 percent in September and forecast at 1.5 percent at year-end. Inflationary pressures have been generally contained

despite the surge in domestic demand. This is largely due to stable international commodity prices (mainly food and oil), low inflationary pressures in major trading partner economies and absence of major domestic supply shocks. The balance of payments position remains comfortable and foreign reserves are sufficient to cover around 4.7 months of retained imports of goods and services. The Reserve Bank of Fiji has continued to maintain an accommodative monetary policy stance throughout the year, resulting in a downward trend in lending rates and a rise in domestic credit.

The IMF conducted its Article IV Mission in July and noted a favourable near term growth outlook for Fiji, aided largely by the progress towards the return to parliamentary democracy and reform measures implemented by the Government. Nonetheless, the Mission team stressed the need for continued structural reforms as the means for sustainable growth and increased resilience to external shocks. We acknowledge the risks to Fiji's economic outlook highlighted by the Mission team.

Mr Chairman, we acknowledge and thank the development partners who stood by us during 2006 to 2014. We grew stronger as a nation during this period, removing divisive policies and empowering all Fijians to mobilize and pursue efficiency, productivity, good governance and growth. The sound macroeconomic performance is a testimony of our resolve. You provided us support and encouragement during our time of greatest need and our recovery and transition to democracy today is a testament of your faith and trust in us and would not have been possible without your able support. Fiji has expanded its foreign relations and has opened new embassies and missions abroad since 2007. With opening up of new global support, we will now play a more active role in the regional fora and accelerate our engagement with the rest of the world.

International Monetary Fund

The work by the Fund through continued surveillance and advice has greatly assisted member countries in addressing the prolonged economic challenges facing their respective economies in the aftermath of the global financial crisis. Importantly, the growing complexity and uncertainty in the global economic and financial setting has made the Fund's role in helping countries build a stronger recovery path become more crucial towards safeguarding future global stability. We welcome the recent 2014 surveillance review and ongoing work on risk and spillover analyses to improve the effectiveness of the Fund's surveillance. To this end,

close consultation and collaboration with authorities is critical to ensure that Fund advice takes into account country and region specificities and is therefore well-tailored and relevant to member countries' situations. Therefore, it is important that the Fund remains adequately resourced to fulfil its increasingly essential role in maintaining order in the international financial system and contributing to a stable global recovery. In this connection, we look forward to the ratification of the 2010 Governance Reforms before year end.

Mr Chairman, the Fund's technical assistance and capacity building programs continue to provide support for surveillance activities in the region and strengthen the capacity of our institutions, processes and people to contribute positively to our development. To effectively do so, we encourage continued Fund support and close collaboration between the Fund and authorities to ensure policies are well balanced and appropriately account for the increasing complexities of our economies and interconnectedness with the rest of the world, as well as domestic factors.

The IMF's presence in the Pacific region through the Pacific Financial & Technical Assistance Centre (PFTAC) is commendable. The seminars, workshops and close engagement with the PFTAC regional advisors have contributed greatly to improving capacity in various areas, including macroeconomic analysis and modelling, policy discussion and national statistics. We look forward to continued support and capacity building in the future. Assistance provided to us by the IMF Resident Representative based in our capital, Suva, has also been extremely beneficial and well appreciated.

Climate Change and Vulnerabilities in Small States

We welcome the Fund's work on small states and low income and developing countries and encourage increased focus in this area. We agree that our countries need to strengthen institutional and policy frameworks to better address the growth challenges we face. We will continue efforts to improve efficiency and prioritization in public spending and strengthen service delivery to better achieve our social and development objectives. Securing financing support for infrastructure development, especially at concessional terms, will augur well for future sustainability. Therefore, we welcome the contribution by the Fund through the review of the debt limits policy that can support LIC's endeavour towards this end.

Fiji and the rest of the Pacific are equally vulnerable to the threat of climate change and we are thankful for the Bank's efforts in collaboration with the global community towards

helping Pacific islands adapt to climate change and building disaster resilient communities. We fully support the Bank's exceptional efforts to put a price on carbon and invest in renewable sources of energy. The increasing World Bank Group's total climate related investments is appreciated, given that the bulk of it is directed towards climate-friendly investments in energy, transportation, and agriculture. We also support the recent announcement by the Bank in developing a "*Small Island States Resilience Initiative*" for increased and streamlined assistance in the face of mounting disasters and climate change.

Mr. Chairman, we emphasize that the design of these development instruments must focus on real challenges on the ground. It is important that these instruments are well targeted and solutions based, and especially made more flexible and easier to access.

The IMF is also commended for highlighting the challenges faced by the Small Island Developing States (SIDS) and its endeavour to help enhance the capacity of its member countries in their pursuit of sustainable economic development. The Fund's commitment to strengthen its engagement is also reassuring and welcomed. It was pleasing to note that 20 deserving small states were eligible for the concessional loan, as part of their programs to address immediate and longer term economic policies. The World Bank also continued to increase its global footprint and support for disaster and climate resilient development to SIDS and we welcome and support the recent announcement by the Bank in developing a Small Island States Resilience Initiative for increased and streamlined assistance in the face of mounting disasters and climate change.

World Bank

Mr. Chairman, we look forward to more active engagement by the Bank that will support retaining Fiji's development priorities. The Bank's convening powers will bring more positive signal to other development partners and the private sector and pave a stronger path towards a better and smarter Fiji. Joint partnership and ownership between the WBG and the client government's development agenda will strengthen the Bank's engagement through rigorous and systematic country diagnostics to better inform clients in shaping their countries' future.

We understand that it has been a challenging year for the World Bank. The outbreak of the Ebola epidemic in parts of Africa and its potential to spread worldwide given the world's

interconnectedness is a major threat to global economic and political stability and to the Bank's effort in reducing poverty and lifting incomes. We extend our sympathies to the families whose beloved ones and friends have fallen victim to the deadly Ebola virus. The significant risk of this pandemic on the region's population and economy underscores the need for urgent international collaboration to fight this crisis. In this regards, we commend and urge the fervent efforts of the Bank and IMF in partnering with the World Health Organization, the United Nations and other development partners to support the governments of Sierra Leone, Liberia and Guinea, in containing the Ebola outbreak.

Mr Chairman, we congratulate the Bank for the progress in its reform and modernization process. The establishment of the 19 communities of experts from July this year will provide clients better access to expert global knowledge and solutions platforms with the ultimate aim to empower the poor. Progress made on the Bank's first ever group wide corporate score card is also promising in providing a high-level and strategic overview of the World Bank Group's performance toward achieving its two goals of eliminating poverty and enhancing shared prosperity worldwide. Together with this year's Global Monitoring Report (GMR) which tracks progress made on these goals as well as reporting on the status of the Millennium Development Goals (MDGs), we look forward to the support of the Bank, Fund and development partners in the finalisation of a more inclusive and sustainable post-2015 development agenda.

Concluding Remarks

Mr Chairman, we thank the two institutions for their guidance and support over the years and look forward to another year of successful engagement.

Thank you.