

BOARDS OF GOVERNORS ● 2000 ANNUAL MEETINGS ● PRAGUE, CZECH REPUBLIC

INTERNATIONAL MONETARY FUND

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

J

Press Release No. 61

September 26–28, 2000

Statement by the Hon. **KINIKINILAU TUTOATASI FAKAFANUA**,
Governor of the Bank for **TONGA**,
at the Joint Annual Discussion

**Statement by the Hon. Kinikinilau Tutoatasi Fakafanua,
Governor of the Bank for Tonga,
at the Joint Annual Discussion**

Mr. Chairman,

It is an honor and a great pleasure for me to address the 55th Annual Meeting of the Governors of the International Monetary Fund and World Bank Group for the year 2000. This is an important meeting for it is the first meeting of this new millennium. This is an important opportunity to reflect on what we have accomplished to date and to chart our future direction in addressing the challenges that lie ahead. We would like to begin by congratulating and welcoming Mr. Horst Köhler for his first attendance at this annual meeting in his capacity as Managing Director of the IMF. We would also like to extend our deep appreciation to the government and people of the Czech Republic for the arrangements and hospitality extended to us. We also join other speakers in welcoming San Marino as the latest member of the IMF and World Bank.

It is encouraging that we start this year on a optimistic note because of the overall positive performance of the world economy. However, there are apparent risks in this forecast associated with economic development in the United States and the high level of oil prices. Therefore, all member countries in association with IMF/World Bank should continue to work together to ensure macro stability, strong and uniform distribution of world growth.

We commend the effort of the IMF in addressing the financial crises that occurred in the recent past and the World Bank's initiatives to alleviate poverty and lifting the standard of living of the people in developing countries. Nevertheless, past experience suggest there is scope for further improvement and we welcome the resolve on the part of International Financial Institutions to make necessary changes in various aspects to serve the needs of member countries, especially small developing countries, effectively. The introduction and implementation of the Comprehensive Development Framework by the World Bank is fully supported.

The globalization of the world trading system is an issue that we need the full support of the international financial institutions to ensure that the interest of small developing countries such as Tonga is well served, not marginalized. In that respect, we appreciate the special efforts made by the World Bank and other institutions to pay special attention to the unique characteristics of Small States that culminated in the production of a report on small states. We look forward to a program of action to address and overcome the challenges and constraints of small states as set out in the report. We expect this exercise will lead to greater access to advisory technical assistance and concessional resources. Such assistance from both bilateral and multilateral sources are needed in order for us to be able to build a stronger and resilient economy of equal footing with that of much larger economies.

On poverty, we are pleased to note that the program is more pro-poor focused, and strives towards incorporating social concerns. Moreover, we also support the guiding principles, which seek to develop wider tools, which can be used by the international community to

promote sustainable development, poverty reduction and to strengthen the initiatives for debtor countries to adopt and implement economic and social reforms.

Touching on the Poverty Reduction and Growth Facility (PRGF)/Heavily Indebted Poor Countries (HIPC) initiative, Tonga continues to encourage and support these initiatives, especially the efforts to make the initiatives flexible, broader, deeper and faster with a clear link between debt relief and the goals of sustainable development and poverty reduction. The financial resources required for this commitment should not compromise the requirement for providing more development assistance to developing countries. We support the call for developed countries to increase their aid grant assistance to the target level of 0.7% of their GNP.

The role played by the two Bretton Woods institutions continue to be important against a background of an ever more fast and complex world. This calls for the provision of adequate resources to enable the two institutions to carry out surveillance and the ability to provide liquidity to member countries when needed.

Furthermore, we join those who see a need for a realignment of quotas to better reflect current economic weights of countries and to better balance the decision process of the institutions by giving developing countries greater decision making power in the two organizations. Involving the private sector, with improved cooperation and better focus amongst institutions should strengthen the different facilities and allow for savings in resources.

On Surveillance, we continue to support the policies, which aim to reduce the risks, associated with capital flows and put in place a mechanism that could include the private sector in the prevention or orderly resolution of financial crises. Moreover, we continue to support the efforts towards sequencing of capital account liberalization with the refinement of a country's use of capital controls. Likewise, we welcome the efforts towards developing, disseminating, and monitoring the implementation of internationally recognized standards, given the contribution that the observance of those standards will make to strengthen the international financial system. However, having said that, we join those who believe that transparency should not be permitted to undermine the role of the Fund as a confidential advisor to members.

Turning to the economic developments in the South Pacific, the recent political crisis in some countries in the region has to some extent adversely affected the economic development in other countries especially tourism and other goods and services that come through those countries. However, such instability highlights the need for proper ownership and sequencing of reforms especially on sensitive issues.

For Tonga, the latest economic data is encouraging, with a relatively stronger GDP growth, exportable agricultural production showing signs of returning to more favorable trends. Inflation has been affected by higher prices on fuel. The fiscal and monetary policy is oriented toward maintaining macro stability and accelerating economic growth.

In conclusion, we wish to acknowledge with gratitude the technical and financial assistance that IMF and the Bank have provided so far to the Government of the Kingdom of Tonga, and look forward to continue such partnership in the future.