

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

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Press Release No. 63

September 26–28, 2000

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

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It is indeed an honour to attend the fifty-fifth joint annual meetings of the Boards of Governors of the International Monetary Fund and the World Bank Group in this beautiful and golden city of Prague. I would like to take this opportunity to congratulate Mr. Horst Kohler on his appointment as the new Managing Director of the International Monetary Fund. I thank President Wolfensohn for his continuing leadership of the World Bank. Allow me to also express our appreciation to Mr. Michel Camdessus for his stewardship and achievements during his distinguished tenure at the Fund. On behalf of the Fiji delegation, I wish to express our deepest gratitude to the Government and the people of the Czech Republic for their warm hospitality and the excellent arrangements made for these annual meetings. I would also like to welcome San Marino to the membership of the Bretton Woods institutions.

Like many of my fellow Governors, I am pleased to note that the world economic outlook has continued to improve. Mr. Chairman, globalisation has helped brighten the world economic scenario through trade and capital liberalisation. However, these financial and trade integration can correspondingly increase the risks of currency misalignments and impose severe pressures on the balance of payments of vulnerable member countries. Preventing these shocks or at least limiting their scope, intensity and duration presents a major challenge to international financial organisations. Whilst firm and prudent policy actions are clearly warranted at the country level, it is equally important that the commitment towards the establishment of the international financial architecture is sustained.

The increasing frequency of financial crises around the globe has focused the attention of the international community on the fundamental roles, facilities and resources of the Bank and the Fund. I, therefore, welcome the review of Fund facilities and the various initiatives that have been developed like the Contingent Credit Lines (CCL) to better address in a timely fashion the needs of member countries. At the same time, it is becoming increasingly evident that a renewed effort be made to safeguard financial stability.

On the domestic front, as past experiences have shown, financial system stability and sound macroeconomic stability are inextricably linked. I also commend the Fund's work with the Bank for International Settlements (BIS) in continuing to develop and refine core principles of financial supervision and in integrating these indicators with broader macroeconomic measures. An important initiative in this area is the Financial Sector Assessment Program (FSAP), which was set up to help, not only the early detection of financial vulnerabilities, but also identify priorities for financial sector development and the strengthening of financial systems. In this matter, the Bank and the Fund have an

important role to play in upgrading prudent supervisory standards in developing countries to international levels. On the other hand, the adverse effects of financial crises can be mitigated through the adoption of internationally acceptable debt resolution and insolvency arrangements. Overall, increased co-operation and co-ordination among public and private institutions at international level needs to be vigorously pursued in a clear and cohesive manner.

Mr. Chairman, a great deal of attention has been placed on the role of international financial institutions, particularly the Fund, the World Bank and Multilateral Development Banks in reducing poverty. In this daunting fight against poverty, the Bank and Fund have progressed considerably in adopting collaborative and concerted actions at country, regional, and global levels. Joint initiatives such as the Heavily Indebted Poor Countries (HIPC) and Poverty Reduction Strategy Paper (PRSP) demonstrate the potential for donor synergies, not only between the Bretton Woods institutions but also among the international community in general.

In this regard, we would like to lend our support to the Comprehensive Development Framework's (CDF) holistic approach that brings about a more strategic focus and cohesiveness to poverty reduction efforts at country level. However, in implementing the CDF approach, the Bank and development partners would need to pay adequate attention to local conditions and economic structures of individual countries. To instill a real sense of country ownership, the CDF allows developing countries to play an active and more upstream role in the preparation of poverty reduction strategies. To this end, the Bank should continue to provide the necessary technical assistance and support for capacity building. The Bank's newly proposed modalities for enhanced poverty reduction at country levels are steps in the right direction. However, I wish to see that a thorough analysis be done to properly and clearly bring out the impact of the conditionalities of these initiatives on the ability of developing countries to successfully implement these programs. In developing these conditionalities, I would also urge the Bank to pay adequate attention to special characteristics amongst the Bank's clients, particularly countries like Fiji which are not eligible for IDA but are subjected to considerable economic vulnerabilities.

Initiatives like the joint Commonwealth Secretariat/World Bank report on Small States was an important milestone in this regard. In moving forward, the incorporation of this work by the Bank in addressing the special needs at country and regional levels, is essential. I note the progress made by the Bank in preparing its strategy for the Pacific Islands. However, we would have appreciated a better reflection of the findings of the joint Small States report into this strategy. Although an IBRD country, Fiji's vulnerability to external shocks pose a big risk to our economic performance, which we often have to maintain at significant financial costs. Moreover, we seldom rely on borrowed resources from the Bank and the Fund. Therefore, maintaining access to technical assistance, as and when needed, would be critical to meeting our requirements. In implementing the Pacific Islands Strategy, it would be important that the Bank takes a

more progressive approach while fully understanding the limitations and opportunities of the Bank's role in the Pacific.

I welcome the decision to hold an annual conference on small states during these annual meetings. I hope that the Bank and the Fund can effectively use this forum to accommodate the views of small states on the modalities of country programs and to evaluate performances. In summary, I am of the view that we have not exhausted our innovation in the assistance to small states and I urge the Bank and the Fund to continue to explore possibilities to better respond to their special development needs.

Mr. Chairman, in closing, I would like to touch on recent developments in Fiji. As you know, there has been a major downturn in Fiji's economy as a result of the recent political crisis. In response to the crisis, our authorities have put in place a number of fiscal and monetary policy measures to safeguard Fiji's financial position. I am happy to report that Fiji's financial position has stabilised and some of the temporary measures put in place during the crisis have been wound back. Fiji's foreign reserves are at adequate levels and government deficit remains moderate.

Fiji now face the difficult task of rebuilding confidence and restoring economic growth. We are fortunate that we will be doing so against a backdrop of strong global economy and international financial stability. At the same time, the government is taking the opportunity to build a firm foundation for future growth through a firm commitment to a comprehensive agenda of structural reforms. We are hopeful that with sound macroeconomic policies and our ongoing commitment to liberalisation and reform, Fiji can recover lost grounds within two years and achieve a platform for sustained growth in the long term. Of particular importance to Fiji in this respect would be the complementary roles of IFC and MIGA in enhancing investor confidence and maximizing opportunities in the development of our private sector. Mr. Chairman, it is my hope that Fiji, like any member country, can continue to count on the Fund and the Bank for guidance and assistance in this critical period of economic reconstruction.

I conclude by thanking the World Bank and the Fund for their continuing assistance and support to Fiji and the Pacific region. As in the past, we continue to look forward to assistance in infrastructure, human resource development, institutional strengthening, and economic and financial policy advice. We commend the support of the Pacific Technical Assistance Centre and thank the Fund and other donor countries for their ongoing help in this and other areas.

I wish the IMF and the World Bank well in their next year of operation.