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Statement by the Hon. **BENIAMINA TINGA**,
Governor of the Fund for **KIRIBATI**,
on behalf of the Federated States of Micronesia, Kiribati, Marshall Islands,
Samoa, Solomon Islands, and Vanuatu,
at the Joint Annual Discussion

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Mr. Chairman,
Honourable Colleagues,
Distinguished Delegates,
Ladies and Gentlemen,

It gives me great pleasure and honour to address these 2000 Annual Meetings of the International Monetary Fund (Fund) and World Bank Group (Bank) on behalf of the Pacific Constituency comprising Kiribati, Marshall Islands, the Federated States of Micronesia, the Republic of Palau, Samoa, Solomon Islands, and Vanuatu. We welcome Mr Horst Köhler as the new Managing Director for the Fund and thank the outgoing Managing Director, Mr. Michel Camdessus for his wonderful services to the Fund and the international community. We also welcome the State of San Marino into the membership of the Bank Group.

Allow me first of all to express our deep appreciation and gratitude to the Government and the People of the Czech Republic for the hard work put into preparing the venue for these 2000 Annual Meetings of the Fund and the Bank and to express to you, Mr. Chairman, our warm congratulations on your election. Our thanks also go to the management, staff and Boards of the Fund and the Bank, whose tireless efforts have contributed to the successful preparation of these meetings.

Mr. Chairman, it is not an easy task to speak on behalf of the Pacific, as the Pacific, contrary to the beliefs of many international agencies, is not a homogenous region. There are wide differences in our customs and cultures, as well as in our states of development, our geography, and our resource endowments. It is therefore encouraging to note that these differences are recognised by the World Bank in its Pacific Regional Strategy Document. This document is to be commended for its insightful and concise summarisation of the state of development in the region and the specific problems, constraints, and challenges which are faced by the diverse countries of the Pacific.

As the Bank's Strategy Document notes, collectively, the Pacific countries do not have a good record in utilising the available development resources. We recognise that there have been shortcomings in both our choice of projects and in the efficiency of implementation. We recognise that there is a need for us to be more focused on our own development objectives. The Performance Budgeting and Strategic Planning approaches

to development which are now being adopted by many Pacific member countries should help us to achieve better results for our efforts in the future.

It is also necessary for our development partners to recognise that our small administrations find it difficult to cope with a constant stream of missions, many of which want to analyse and report on the same issues. Our economies and shortcomings are studied to death. Servicing these missions often detracts our hard-pressed officials from ensuring that projects are properly chosen and efficiently implemented. Doing business with the Bank is not only complex but also costly. Therefore, we urge the Bank to simplify its procedures and to investigate more flexible lending instruments better suited to the special circumstances and institutional capacities of the Pacific member countries. Providing support to us in these tasks would be more productive than telling us afterward that we have failed.

This is important to us. We need our development partners to stay the course with us, particularly in the implementation of the economic and public sector reforms, which we all realise are necessary. Institutional strengthening and capacity building to assist us to come to terms with these new developments is not a “quick-fix” process. It requires patience and a commitment by our development partners to provide an ongoing level of support. We cannot afford to be marginalised and left behind by the march of globalisation and liberalisation in the rest of the international economy. We therefore welcome the collaborative and partnership initiatives, which are being developed between the World Bank, the Asian Development Bank, and other major partners in our development efforts. The move of the Bank’s Country Management Unit to Sydney is to be welcomed. It will consolidate further the Bank’s operating focus in Asia and the Pacific Region.

It is commendable that the Bank has tried to clearly define its strategy for the region. It demonstrates that the Bank is trying hard to adjust itself to properly understand and gear its support to the special needs of the Pacific region. We welcome the coverage of the Comprehensive Development Framework (CDF) and on poverty in the strategy. However, recognising the limited institutional capacities of the Pacific member countries, we would like to urge the Bank to carefully work through how it will further operationalise CDF principles in the Pacific region.

Mr. Chairman, the role of offshore financial centres (OFC) in the economies of Pacific countries, and the associated issues of money laundering and harmful tax competition, have been matters which have exercised the deliberations of regional meetings in recent months. We do not take lightly the fact that a number of Pacific countries have been put on the “black and uncooperative” lists without being told precisely why. Nor have they been offered the opportunity to either face their accusers or to explain their positions in an open forum. Even worse, after putting these countries on the “black and uncooperative” lists, these international organisations cannot tell them how to get off.

At the recent Pacific Forum Economic Minister's Meeting in Niue, it was agreed that the region would further strengthen its commitment to implement the legislative priorities of the Honiara Declaration and the Financial Action Task Force recommendations. It was also agreed to develop modalities for financial intelligence sharing and to study the scope for cooperation and coordination in financial sector reform and regulatory supervision.

We welcome the offers of both Australia and New Zealand to assist with these Pacific Forum Economic Minister's Meeting initiatives. We also welcome the efforts which the Bank and the Fund have taken to support work in this area.

Many Pacific Countries have undeveloped domestic financial systems, even it has to be admitted, some of those which offer OFC services. In an increasingly competitive international economy we must, nevertheless, make the most of any comparative advantages that we might possess. In doing so we must equally acknowledge that we have obligations to ensure that we do not encourage money laundering and other illegal practices. We therefore need the Fund and other qualified agencies to assist us in identifying our areas of vulnerability and to work with us in putting into place suitable systems and processes to enable us to counter these weaknesses.

We have been working steadily toward strengthening our financial systems, by adopting accepted best practices in their design and application. It must be remembered that the initiators of money laundering and other illegal financial practices frequently originate in developed countries. Banks and financial intermediaries in metropolitan centres are frequently instrumental in channelling funds to OFCs. We must work together to counter these practices and not just point the finger at the Pacific OFCs because they seem an easy target, while ignoring the much bigger problems which may be closer to home.

We welcome the Bank's initiatives in respect to the alleviation of poverty as a key strategy for its future operations. We would however, wish to ensure that the Bank is sensitive to the particular nature of poverty that exists in the Pacific Region. This may not necessarily be comparable to the generally accepted definitions of poverty in other parts of the world. Poverty for many Pacific countries originates from geographical and natural resource constraints and the lack of comparative advantage which would enable our countries to generate income raising opportunities. Many Pacific countries have very fragile economies and environmental conditions. External shocks, be they caused by natural disasters or man-made events, can very quickly change sound economic and environmental conditions into ones where poverty becomes a major problem.

We would therefore urge the Bank to ensure that any poverty alleviation programmes for Pacific member countries are directed towards both strengthening basic economic infrastructure and reducing vulnerability through improving preparedness for coping with external shocks.

The Pacific member countries wish to record their full support for the initiatives, which are being taken by the Bank and the Fund in respect of the highly indebted poor countries. Fortunately the debt issue is not a major problem in itself for the Pacific Region, although many countries in the region have seen their external debts rise significantly in recent years, with their investment in strengthening economic and social infrastructure. We recognise that the burden of debt servicing is like a millstone around the necks of the highly indebted poor countries. The debt relief afforded to them under the Bank and Fund initiatives will assist those countries to direct more resources to key priority areas of health and education. This in itself will help them to address the poverty issue through their own efforts.

Mr. Chairman, let me now make some comments on the Small Island States Report. We commend the Bank and the Commonwealth Secretariat in completing this report. There are many important policy issues addressed in this report. It is pleasing that the Bank has, in fact, focused on a number of these in the Pacific Regional Strategy Paper. The economic and environmental vulnerability issues are of particular concern to the smaller atoll countries, who are disproportionately affected by these twin problems. We welcome the Bank's growing recognition that managing risk and reducing vulnerability is a critical aspect of poverty reduction. This is something that the Pacific member countries have long known and is behind our conviction that issues of graduation need to be based on more than crude measures of average per capita incomes. Therefore, I would like to urge the Bank to pay more attention to the unique situation and problems faced by the small island states when establishing eligibility criterion for the Bank and IDA lending facilities.

We are also thankful for the IDA resources that have been provided to us on concessional terms, although my own country, Kiribati, has not received any concessional loans since it joined the Bank and the Fund in 1984. It is hoped that this facility will continue and that the need for Kiribati will be considered when it can identify suitable projects for loan financing in the future. We also welcome new lending instruments that have been developed by the Bank and look to the continuing dialogue to improve their applicability to suit the different needs of small member states.

Before closing, I would like to express our appreciation to the Bank and the Fund for the services extended to the Pacific in the running of seminars as well as the provision of technical assistance. The establishment of the Singapore-IMF Training Institute has been a great benefit to us. I also would like to acknowledge with appreciation the continued support of the Bank and the Fund by the donor member countries.

Ladies and Gentlemen, thank you very much for your attention.