

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. 46

September 29, 2002

Statement by the Hon. **MISA TELEFONI RETZLAFF**,  
Governor of the Fund for **SAMOA**,  
on behalf of Kiribati, Republic of the Marshall Islands, the Federated States of Micronesia,  
the Republic of Palau, Samoa, Solomon Islands and Vanuatu,  
at the Joint Annual Discussion

**Statement by the Hon Misa Telefoni Retzlaff,  
Governor for Samoa,  
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Mr. Chairman,

Honorable Colleagues,

Distinguished Delegates,

Ladies and Gentlemen,

It is with great pleasure that I address these 2002 Annual Meetings of the International Monetary Fund and the World Bank Group, on behalf of the Pacific Constituency comprised of Kiribati, Republic of the Marshall Islands, the Federated States of Micronesia, the Republic of Palau, Samoa, the Solomon Islands and Vanuatu. We join previous speakers in extending a warm welcome to the state of East Timor as the hundred and eighty fourth member of the Fund and the World Bank Group.

The last two years have seen a contraction in the economies of the members of our Pacific Constituency, with total GDP falling by 12 percent in 2000 and 1.8 percent in 2001. The uncertainty now facing the world economy from the sharp fall in equity prices, weaker than expected economic growth in a number of the developed countries and the severe slowdown in Latin America raises great concern to the members of our Constituency. However, with the likely pick-up in global activities, the forecast for the period ahead is for a positive but slow growth of 1.8 percent for the region, except for the Solomon Islands.

In our view, the impact on our terms of trade from the delay in the recovery of commodity prices, due to lower than expected growth in external demand, and the likely further rise in oil prices that may result from a potential increase in military activities in the Middle East, will be costly. There is also the added uncertainty surrounding the impact of extreme climate changes related to the onset of the El Nino weather pattern. Further deterioration in the security of our sea and air transport links will affect our tourism industry, which is a major foreign exchange earner for our small island countries. These exogenous factors again highlight our vulnerability as small open economies to adverse shifts in the global economy and climatic conditions.

I would like to assure you, however, that over the last five years, most of our member countries have been undertaking substantial reforms, to strengthen their economies in order to minimize the impact of external shocks, while also preparing for greater adaptation to globalization. Admittedly, the pace of reforms has been slow for some of our member countries, reflecting the varying strengths and capacities of our local institutions, and the need to ensure strong ownership and support by our people.

The thematic focus on trade by the Bank and the Fund is a crucial one to all of us. We fully agree that there are potential gains to be made from trade, particularly in agriculture. We would propose, however, that special assistance be considered for those countries with trade preferences, to minimize the impact to their economies of the change in trade regimes. We are also aware that the liberalization of agricultural trade is most likely to raise the relative prices of goods, with a resulting costly impact on net food importing

countries, including many of the Pacific Island countries. We commend, therefore, the advocacy role played by the Bank and the Fund in trade and globalization matters and in maintaining a focus on trade as a crucial element to development.

The interaction of trade liberalization and tax reforms is an important issue in our wider reform process, as we move to minimize the impact of trade diversion on our tariff revenue. For some of us, the implementation of broad based tax systems, to counter the loss of revenues from tariff reductions, have been in place for a number of years while others continue to assess the best options to suit their own domestic situations.

Public sector reform programs are continuing throughout most countries of our constituency, with mixed stages of implementation. This reflects wide recognition of the need to introduce best practices, especially strong policies to support good governance. In this regard, ongoing assistance will be invaluable from the Fund and the Bank along with our other development partners to support the reform process amongst members of our constituency. In particular, we are grateful for the technical assistance from the Fund, through the Monetary and Exchange Affairs Department as well as the Pacific Financial Technical Assistance Centre (PFTAC) in Fiji, to support reforms of our financial systems, tax policies, strengthening government financial statistics and economic database for improved surveillance. We would therefore welcome ongoing financial support for PFTAC to enable it to provide the necessary technical support for our reforms.

We note the collaborative work of the Bank and the Fund with member countries of our constituency on assessing the standards for combating money laundering and preventing the financing of terrorism. Given the limited capacity in some of our countries, we would welcome technical assistance where needed. At the same time, the number of questionnaires and reviews being promoted place a great deal of demand and stress on our small establishments. In this regard, we wish to encourage improved cooperation between international agencies and member countries to optimise the use of the limited available resources.

At this point, let me make special mention of the work done by the World Bank, in collaboration with other international organizations, on the special needs and challenges facing small states. We welcome the many initiatives that have been launched with a view to reducing poverty and achieving sustainable development in small states, such as with the Doha process, the Monterrey Consensus, and the recent Johannesburg Plan of Implementation. There is real concern, however, that the implementation of initiatives called for under these international agreements may be diluted or delayed by the lack of adequate capacity and budgetary resources. We must therefore ensure that there are adequate resources available in addition to adopting clear processes and harmonised approaches for successful implementation of these agreements.

We commend the Bank for its commitment to assist HIV/Aid programs. The increase in HIV/Aids in some of the countries in the Pacific and the growing HIV/Aids epidemic in

Asia calls for concerted efforts to address this serious situation. We welcome, therefore, on-going support for the Global Fund for Fighting Aids, Tuberculosis and Malaria.

The focus on poverty reduction by multilateral development banks and bilateral partners will require appropriate policies and strategies to be put in place, and strengthened where necessary. However, there is a need to ensure that the conceptual frameworks for the respective countries are harmonized, in order to avoid duplication and high implementation costs. The limited capacity in some of our constituency members will need to be taken into account and urgently addressed, for the successful development and implementation of PRSPs. In addition, development of monitoring mechanisms and performance indicators must be simplified to reflect capacity levels.

Our countries strongly support the Global Environment Facility (GEF), which has funded capacity building towards responsible management of the environment. We welcome most warmly the actions taken recently for the replenishment of the GEF and would urge the early introduction of small grant schemes to promote grass roots initiatives in our countries.

I would like to acknowledge the tireless efforts of the South Pacific Project Facility (SPPF) of the IFC, to improve investment in the Pacific, as well as for providing assistance to small businesses and the private sector.

We note, with much concern, the low level of commitment of IDA lending to East Asia and the Pacific. We would urge management to consider the limited resources and options available to our small island countries. And, if we are to achieve the Millennium Development Goal of halving poverty by 2015, lending levels must be increased, especially in key sectors such as education, health and infrastructure.

We are concerned with the difficulties faced by one of our member countries, the Solomon Islands, in its recovery from the traumatic events which have devastated its economy, and would strongly urge the Fund and the Bank to assist with the rehabilitation of that country's economy and its development efforts.

Finally, let me express our appreciation to the management and staff of the Bank and the Fund for their ongoing commitment and support of our development objectives. We continue to benefit from the financial and technical assistance that have augmented our limited resources and enhanced our efforts to improve growth and to achieve better outcomes for sustainable development of our small island nations.

Thank you Mr. Chairman