

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. 59

September 29, 2002

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

**Statement by the Hon. J.Y. Kubuabola,
Governor of the Fund and the Bank for Fiji,
at the Joint Annual Discussion**

It is indeed a great honor to address the fifty-seventh joint Annual Meetings of the Board of Governors of the International Monetary Fund and the World Bank Group. First of all let me welcome East Timor to the membership of the Bank and the Fund. Also, allow me to congratulate H. E. Ahmed bin Abdunabi Macki, Governor of the Bank and the Fund for Oman, on his election as Chairman.

Mr. Chairman, we have just passed the first anniversary of the very tragic events that occurred in the United States. The doomsday scenarios for the global economy that many economists and analysts had predicted did not occur, as we all know largely due to the decisive and concerted policy actions of industrial countries. Now, world economic growth has resumed, with much of the strength of global growth riding on the performance of the US economy. We are hopeful that world growth will continue, as it will have favorable flow on effects on the economic fortunes of developing countries.

I would now like to touch on the issue of financial crises. The intensity and frequency of these crises are increasing. A few years ago the region affected was Asia, more recently it is Latin America. The severe adverse impact of financial crises on small developing countries, either directly or through contagion, highlights the need to avoid such occurrences and for their quick resolution when they do occur. In this respect I urge the Bank and the Fund to continue to search for ways to strengthen surveillance and prevent crises. In our efforts to resolve crises we must avoid applying universal solutions but instead search for strategies that suit specific countries. The Bank-Fund Financial Sector Assessment Program and Reports on Observance of Standards and Codes have established a valuable framework for helping countries strengthen their financial and economic systems.

Mr. Chairman, we reaffirm our support for international and national efforts to combat money laundering and terrorist financing. The Fund and the Bank should help our efforts on this front by building capacity and identifying policy and institutional foundations necessary to reduce risks of financial abuse.

Next, Mr. Chairman, I would like to highlight three topical challenges, from the perspective of developing countries in general, and small island states in particular.

First, on poverty reduction, I commend the Bank and the Fund's efforts to work with countries to analyse the poverty and social impact of programs and to help them build their own capacity. Partnership facilities and initiatives such as the Poverty

Reduction Strategy Paper (PRSP) process and the Poverty Reduction and Growth Facility (PRGF) enable countries to better address the needs of the poor and to uplift their living standards.

I also applaud the efforts put in place to achieve the Millennium Development Goals (MDG); more specifically the targets of halving world poverty and the provision of universal primary education by 2015. We urge the Fund and the Bank to continue to assist countries in meeting the MDGs by supporting the PRSP approach and providing concessional financing under the PRGF and IDA. Continuing efforts need to be made by the Fund and Bank to explore sources of growth in developing countries and deepen the systematic analysis of the economic and social impact of major policy choices.

Second, Mr. Chairman, on the issue of globalisation, I would like to reaffirm the importance of trade as a source of growth and poverty reduction. In order to create a favorable environment for development, I ask the Bank and the Fund to help developing countries improve market access, especially in products and services where developing countries have a comparative advantage. The effective participation by developing countries in the new round of multilateral trade negotiations is essential to ensure that the benefits of globalisation reach all countries. In this regard, the Fund and the Bank can again play an active role in capacity building and in coordinating trade-related technical assistance.

Third, structural reforms, we all acknowledge that these reforms are necessary to simultaneously eliminate obstacles to growth and strengthen the resilience of our economies. It is also well known that the implementation of reforms is easier said than done. Let me add, Mr Chairman, Fiji is committed to implementing reforms but needs assistance in capacity building and in the mitigation of social costs.

Allow me to now provide a brief update on the political and economic developments in Fiji. I am pleased to say Fiji has returned to democratic rule and the elections were pronounced fair and free by international observers of the United Nations and the Commonwealth. Confidence is returning and our tourism industry, which is the backbone of our economy, is expected to post a new peak this year. We thank the IMF for its Article IV Report on Fiji. I am happy to say that the Report endorsed our assessment that the Fiji economy has bounced back strongly after the decline in 2000. We grew by 4.3 percent last year. All sectors of the economy are growing, with the exception of sugar, with economic growth for this year forecast at well over 4 percent, and expected to rise to close to 6 percent next year. Inflation remains low, currently below 1 percent and our foreign reserves position is healthy. At the same time we acknowledge the concerns raised in the Article IV Report and are addressing these areas, particularly on the issue of land leases and the restructure of the sugar industry.

Mr. Chairman, I would like to comment on the approach of the World Bank to the small Pacific island member countries. Despite the establishment of the Sydney office, I am of the view that the Bank still needs to enhance its presence in the region. I therefore strongly encourage the Bank to reassess its Pacific Island strategy. Such a strategy should adopt a more proactive role and be tailored to address the specific vulnerabilities of the small island economies like Fiji. Our priorities are in building capacity through technical assistance and policy advice.

On money laundering, I am happy to say that a review recently completed by the Asia Pacific Group concluded that Fiji's existing laws and systems are generally adequate. In addition the government is developing an action plan on Fiji's compliance to the IMF's Code of Fiscal Transparency following a review by a Fund Mission. Fiji has also agreed with the Fund for a Financial Sector Assessment Program later next year.

I would like to compliment the Fund for its assistance to Fiji. Technical assistance from the IMF has been provided in the areas of insurance supervision, the payments system, exchange rates and a review of our monetary policy framework.

Let me conclude by thanking the Fund and the World Bank for their continuing advice, support and assistance to Fiji. We appreciate and value the assistance in human resource development, infrastructure, institutional strengthening and economic and financial policy advice. We commend the services provided by the Pacific Financial Technical Assistance Centre and thank the Fund and other donors for their continued support in this and other areas. I wish the Fund and the World Bank well in their future endeavors.