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Statement by the Hon. **NICK ANDON**,  
Governor of the Fund for the **FEDERATED STATES OF MICRONESIA**,  
on behalf of the Federated States of Micronesia, Kiribati, Republic of Marshall Islands  
Republic of Palau, Samoa, Solomon Islands and Vanuatu,  
at the Joint Annual Discussion



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Governor of the Fund for the Federated States of Micronesia,  
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Mr. Chairman,  
President Wolfensohn,  
Managing Director de Rato,  
Honorable Colleagues,  
Distinguished Delegates,  
Ladies and Gentlemen,

***Introduction***

1. I am deeply honored and privileged to address these fifty-eighth Annual Meetings of the International Monetary Fund and the World Bank Group on behalf of the Pacific Constituency comprising Kiribati, the Republic of the Marshall Islands, the Republic of Palau, Samoa, the Solomon Islands and Vanuatu, and the Federated States of Micronesia.
2. May I also echo the sentiments made by previous speakers by expressing our deep appreciation and gratitude to the management and staffs of the Bank and the Fund for their tireless efforts and hard work in arranging and preparing our meeting venue at the Headquarters here in the beautiful city of Washington DC, and to express to you, Mr. Chairman, our congratulations on your election. I also would like to welcome and congratulate Mr. Rodrigo de Rato on his recent accession to the post of IMF Managing Director. Finally, I would like to thank the city and the people of Washington DC for the warm hospitality extended to us since our arrival, and for their continuous efforts in making sure our meetings are given the maximum security attention the world has ever seen.
3. Since the 1980s, just as our Asian neighbors were propelling into economic center-stage, it was projected that the next century will be the 'Pacific Century'. And as the new millennium dawns on us, there is still little sign of the 'Pacific Century' in the Pacific island countries. Regardless we are hopeful that through our works with the Bank and the Fund the realization of the 'Pacific Century' will come sooner than later for us.

***World Economic Outlook***

4. Over the last twelve months, there has been a significant expansion in the global economy, fuelled by a sharp rise in industrial production and global trade. Business confidence and to a lesser extent consumer confidence also rose during this period. And in most regions around the world, investment growth has turned solidly positive. In the second half of 2003, for instance, global GDP growth averaged nearly 6 percent on an annualized basis, the highest since 1999. Likewise, global GDP growth for 2004 and 2005 is likely to exceed expectations, projections being 4.5 percent for 2004 and 2005.

5. In short, the global economic recovery over the last 12 months and more likely into 2005 is laudable and would not have been achieved without the economic reforms many nations around the world have undertaken.

***Economic Performance in the Pacific Constituency***

6. In the context of the Pacific region, aggregate GDP rose by 2.7 percent this year over last year. However, on an individual basis amongst our Pacific island member countries, the growth rate ranged from 0.1% to 7% per annum, and favorable international primary commodity prices had much to do with our relatively benign GDP growth rates, which have benefited Samoa, the Solomon Islands, and Vanuatu—our big three commodity exporters.
7. Like many other small open economies around the world, the Pacific island member countries in our constituency have also been benefiting from the recent expansion in the global economy. Such a benign global economic outlook has also enabled the island members to withstand the impact of the terrorist attacks of September 11, 2001, the SARS outbreak that started in 2003, the ongoing war in Iraq and the recent increase in oil prices. Notwithstanding this relatively good progress against these odds however, it is important to note that our regional economic growth is still being hampered by our high annual population growth of 3%, which continues to put pressure on, and to restrict our governments from providing adequate key essential services in health and education for our people.
8. Questions still remain as to whether the region is actually on a sustainable growth path or perhaps is only experiencing a temporary knock-on effect from the expansion of the global economy. Time will tell, but we are confident that with the right policy mix, we should be able to harness the success of the past 12 months to ensure sustainable growth and development that will lead to higher quality of life in our region.

***Challenges Ahead and the Way Forward***

9. The development characteristics of our Pacific island members are quite similar to the world's other small states. They have small populations, small domestic market, small landmass, narrow resource base, limited economic opportunities, weak institutional capacities, and they lack adequate financial capital needed for development. In addition, they are scattered across a vast Pacific Ocean and are relatively far away from many of the world's major commercial markets therefore, the transport costs including cost of doing business in these countries, are quite high.
10. Many of the islands are no higher than two feet above sea level and are very susceptible to environmental risks such as rising of the sea level. Being small open economies, they are also highly vulnerable to exogenous shocks such as changes in the global economy and changes in the economies and policies of their bilateral development partners. It is within these development constraints that our islands' ability to take full advantage of the opportunities presented by globalization, is marginalized.

11. In August this year during their Pacific Islands Forum Annual Meeting, our Pacific island leaders adopted a Vision for the Pacific, which enunciates the ideals the region must work towards to secure its future prosperity and stability. In the Pacific Vision, our leaders “believe the Pacific region can, should and will be a region of peace, harmony, security and economic prosperity, so that all its people can lead free and worthwhile lives.”
12. We agreed to give effect to this Vision through, the development of our Pacific Plan, which is a development framework for implementation of the vision created by our leaders, that envisages to develop stronger links between our sovereign countries and would identify the sectors where we would gain most from sharing good governance and aligning our policies.
13. Our leaders have also agreed that the goals for development of our region are economic growth, sustainable use of our scarce financial and natural resources, good governance and security. These goals have become the principal focus of our efforts at both the national as well as the regional levels.
14. We have already engaged the Pacific Islands Forum and its Secretariat in these processes and would welcome a more active role by our development partners such as the Bank and the Fund.
15. We have recognised that the Pacific Vision cannot be achieved by Governments alone, but can only be attained through a broader platform for partnership. In building a more resilient economic base, it is vital that the region collaborate with the Bank and the Fund to formulate practical strategies to mitigate the region’s exposure to shocks and more broadly to achieve the Vision which we have set for ourselves.
16. Over the last several years, all countries in the Pacific Constituency have undertaken some form of structural and institutional reforms aimed at improving economic performance in order to achieve sustainable growth and development. These reform programs are still ongoing and although we are making good progress, these oftentimes difficult and painful, reforms cannot be successfully implemented by our countries themselves without the ongoing support of our development partners such as the Bank and the Fund.
17. We are grateful for the Fund’s support through the Pacific Financial Technical Assistance Center (PFTAC), which has been very instrumental and effective in assisting our countries in our reform efforts over the years, and we would like to call for and urge increased funding support for PFTAC, to bring it up to par with similar institutions in other parts of the world. When we are discussing the need for increased donor coordination and harmonization, PFTAC is one effective avenue in which we would like to encourage and see closer Bank and Fund collaboration.
18. The thematic focus by the Bank and the Fund on poverty reduction is one that is equally vital for our region. If I may, at this juncture, recall Dr. Henry Kissinger, the former US Secretary of States’ famous 1974 declaration that, “by 1984 no child, woman, or man would ever go to bed hungry.” Three decades later, and

notwithstanding our world leaders' endorsement of the Millennium Declaration in New York in 2000, Dr. Kissinger's declaration remains grossly unfulfilled. This, in itself, is an indication of how important it is for us to redouble our efforts if we are to achieve the Millennium Development Goals (MDGs) by 2015.

19. We note recent advancements in the international efforts against money laundering and terrorist financing. We also note the Bank's and the Fund's pivotal role in ensuring the convergence not only of international standards, but equally important the convergence of assessment methodologies. Our region has benefited greatly from better coordination in the assessment processes in that we now are able to devote more time and efforts to actual implementation as opposed to being locked into an assessment fatigue. And as the international community embrace the Revised Forty and Special Eight Recommendations, there will be increasing need for our region to align our implementation programs with the new standards. We therefore will welcome any assistance from the Bank and the Fund to further strengthen our anti-money laundering and counter terrorism initiatives.
20. Over the years many studies and analyses have been undertaken to better understand our economic and social development needs. While we remain grateful for these studies, there is some concern among us that some of these resources could be better utilized as direct assistance towards our social and economic programs. For instance, those programs that will have a positive impact on our goals to reduce poverty, curb population growth, create jobs and enhance our food security.
21. We also would need to strengthen our democratic processes and improve our governance but we would need to have the necessary expertise and training support, therefore the Bank and Fund's support in this area will be very invaluable.
22. Our three productive sectors of tourism, fisheries and agriculture will continue to be important foreign exchange earning sectors for our economies. And given the absence of heavy industries in small island countries like ours, we would still not be able to compete with major industrial regions of the world, and would continue to depend on our development partners' support for the development of our light industries, which we believe are appropriate and would complement our important primary and service sectors.
23. We very much welcome the Bank's rekindled interest and hence its focus on infrastructure which is an essential element for a good investment climate and key to development of the private sector.
24. Our islands, having varying stages of development, share the same need for infrastructure development which is an important pillar for growth, poverty reduction and for the achievement of the MDGs. We would therefore be grateful for adequate Bank involvement in the development of our infrastructure.
25. We are cognizant of the importance of the Bank's engagement in our Pacific region but, we are also aware the Bank's involvement in our region over the last 12 years or so, has not been up to expectation. We therefore echo the sentiments

expressed in the Bank's recent Operations Evaluation Department (OED) report which shows that the Bank's lending to the region has not only been low compared to the other regions which have similar development challenges, but also has been uneven as some islands have received support from the Bank while others have received nothing at all.

26. The OED report lamented that although the Bank was able to produce its 2000 strategy for the region, the strategy was broad and offered no clear strategic direction, therefore, the Bank as a "knowledge bank" ended up with "a lack of strategic objectives, weak relations, and inadequate resources" to do a great job for the islands as an effective development partner.
27. Since the Bank is in the process of creating its second Pacific Regional Assistance Strategy (PRAS) for the island members in our constituency, which is expected to be coming to the Board of Executive Directors sometimes in the early part of next year, we would like to strongly encourage, and urge, the Bank to seriously take into account, the sentiments expressed in the OED report and develop this new strategy accordingly and then put its weight, and its resources, behind its implementation.

***Conclusion***

28. In closing Mr. Chairman, I would like to now take this opportunity and express our sincere appreciation to the managements and staffs of both institutions for their ongoing commitment and support for our islands' development efforts.

Thank you.