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Statement by the Hon. **SAVENACA NARUBE**,
Governor of the Fund for **FIJI**,
at the Joint Annual Discussion

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It is an honor and a privilege for my delegation to attend this year's annual meeting of the International Monetary Fund and the World Bank on behalf of the Government of the Fiji Islands. I congratulate you Mr. Chairman for your appointment to chair these joint annual discussions. I also warmly congratulate Mr. de Rato on his appointment as Managing Director of the Fund.

Mr. Chairman, we see and face the effects of the heightened global security measures in our meetings here in Washington. It brings home to us the seriousness and the huge cost of providing security for these meetings and indeed for many parts of the world. The developments since our Dubai meeting last year have again confirmed that we are all vulnerable to the world threat of terrorism. It can affect us all, even us in the South Pacific. We therefore join the call to harness every effort and resources to eradicate terrorism and combat money laundering.

In Fiji, we are doing our part to prevent terrorist financing and combat money laundering. An independent review last year by the Asia Pacific Group on Anti Money Laundering concluded that generally Fiji had in place adequate systems in this area. But, we are doing more. A Financial Reporting Transactions Bill will be introduced in the next sitting of Parliament. This will strengthen the exchange of information and surveillance of suspicious transactions. At the same time, a Financial Intelligence Unit, which has been operating since last year, will be formalised through this Bill.

Mr. Chairman, Fiji has also agreed to undertake a Financial Sector Assessment Program (FSAP) in 2006. We believe that Fiji is perhaps the smallest island member country of the Fund that has volunteered to undertake this comprehensive review. It reflects the Government's ongoing commitment to comply with international standards and codes. This FSAP will complement our participation in the Fund's review of the Codes of Good Practices in Fiscal Transparency last year and the completion earlier this year of the Report on Observance of Standards and Codes of Transparency in Monetary and Financial Policies (ROSC). We are working at implementing the findings of these reviews. We believe that these measures will further strengthen good governance and enhance the resilience of our economy to the vulnerabilities and shocks that we face. Our compliance to these international codes will also help us combat terrorist financing and money laundering. However, with our limited resources and capacity, compliance to these codes is very expansive and we call for more support of our efforts in this area, particularly in institutional capacity building.

I am pleased to announce that Fiji has successfully concluded its Article IV consultation with the Fund. The Fund confirmed that Fiji was now enjoying four consecutive years of good growth, a performance that has been difficult to achieve in the past. We expect this year's growth to again be close to the 5 percent government target as was the case last year. Our economic fundamentals remain firm with low inflation, adequate foreign exchange reserves and moderate debt level.

The Fund also commended the Fiji Government for its economic management that had successfully and rapidly rebuilt the economy since the 2000 crisis. The accommodative monetary and the expansionary fiscal policy have worked well to raise domestic demand which has driven growth in the last four years. This has resulted in rising incomes and employment for our people.

However, we fully agree with the Fund that, with economic growth well on its way, there is a need to re-orient our economic strategy towards sustaining this performance into the future. In fact, we have started addressing this concern by tightening monetary policy in May this year. We also fully understand the critical role of fiscal consolidation in protecting macroeconomic stability. Our 2004 budget deficit has been suppressed to 3.5 percent of GDP from 5 percent last year. Further fiscal consolidation is planned in the medium term. While the Fiji Government realises the challenge of fiscal consolidation, it nevertheless remains committed to the reforms of the public service, public enterprises and financial management. Last year, greater transparency and accountability of the responsibilities of senior government positions were introduced. Furthermore, a new Financial Management Bill will be tabled in the next Parliament session, which will pave the way for the implementation of financial reforms to improve the management, reporting and control of government spending. This will be supported by the introduction of a new financial management information system and improvements in budgeting where corporate planning will drive the process. At the same time, the government has just completed a comprehensive review of all aspects of our fiscal policy, which will help us continue to improve our revenue collections and taxation schemes.

Mr. Chairman, in our reform effort we will obviously need technical assistance to properly manage and coordinate these interrelated programmes. I also wish to report that the Fiji Government is addressing other strategic issues which, *inter alia*, include the management of government assets; reforms in the sugar industry; reassessment of the tertiary and vocational system to ensure that we continue to meet the changing needs of the country; and development of a regulatory framework that will enhance competition in the telecommunication industry.

Fiji, as a small island nation with a population of less than a million, faces many vulnerabilities. These vulnerabilities Mr. Chairman, may threaten our entire economy. We are doing all we can to minimise these vulnerabilities including setting a firm macroeconomic foundation. But it is clear from global experiences that we cannot do this on our own. We need the support of the international community, in particular the two Bretton Woods institutions. Our needs are concentrated in capacity building in its

many forms and we call for assistance in the areas of training, technical assistance, policy advice and institutional strengthening.

Mr. Chairman, so far, the achievements of the Millennium Development Goals (MDGs) are uneven and slow, particularly in the area of poverty reduction. In my opinion, this reflects the enormous burden on developing countries to progress towards these goals while dealing with country specific challenges and the increasing volatility in global developments. The resources and the capacity that are needed to achieve these challenging goals are enormous. I therefore join the call on the International Finance Institutions and donors to accelerate assistance to help developing countries progress to the MDG. In particular, I request the Fund and the Bank to actively play their part in assisting member countries reach these goals.

Mr. Chairman, the global focus on the governance and decision making of the Bretton Woods institutions is sharper than ever before. I believe that it is an opportune time for the Fund and the Bank to strengthen the voice and representation of developing member countries in the two institutions and address the structural misalignments that currently exist. In this regard, Fiji continues to support the 13th review of the IMF quotas to help address the erosion of the voting powers of small members of the Fund. In the Bank, I believe that the strengthening of capacities in the Executive Directors Offices will be a useful first step. I therefore urge the Fund and the Bank to agree on the way forward and develop a clear implementation road map to complete the work on this issue as soon as possible.

Mr. Chairman, remittances have become an important balance of payments support and a source of development finance for developing countries including many Pacific Island countries. In Fiji, these remittances have rapidly grown in the last two years to become our second highest net foreign exchange earner. We therefore welcome the recognition of the G8 in their Sea Island Summit of this growing source of external development financing. We would support any work by the Bank to study these flows and in particular how to reduce the transaction costs.

Mr. Chairman, we welcome the resumption of the Doha Round of multilateral trade negotiations. In this respect, it will be crucial for the Fund and the Bank to develop clear strategies to ensure that trade liberalization benefits are shared by all, including the developing countries and small island states.

We are grateful to the Fund for their continuing technical assistance to Fiji in the areas of financial supervision, payment systems and monetary policy. The Pacific Financial Technical Assistance Center, in our view, is an excellent model for delivering assistance to the scattered countries in the Pacific region and we thank the IMF and other donors for their support of the Center. I am glad to report that an independent review of the Center has been completed and it fully endorsed the work and the structure of the Center. We also thank the Bank's Representative Office in Sydney for their support.

We wish the Fund and the Bank all success in their future endeavours.